The Rise of the Fiscal State in Europe, c.1200–1815

Edited by

Richard Bonney

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PREFACE AND ACKNOWLEDGEMENTS

'Praise be to taxes, the sign of a truly civilised society', proclaimed the Bishop of Oxford in *The Times* on 15 October 1994. We may not all share the Bishop's enthusiasm for paying taxes, but in an era when the fiscal harmonization of the new Europe is very much on the agenda no one can deny that fiscal issues remain central to the preoccupations of modern statecraft. We hope therefore that this book will be of more than purely specialist interest. The Editor of a composite volume must thank his contributors and apologize for the delays which inevitably arise in the appearance of a book which includes chapters written by scholars for whom English is not their first language.

Yet perhaps it is fitting that the volume should finally appear in 1999, the year which saw the launch of the euro. For the political and fiscal policies of the Europe of the next century will have to balance what is overarching, general and confederal with what is distinctive, national or regional. The debate over tax harmonization brings these long-standing issues into sharper contemporary debate; but they are issues which lie at the very heart of *The Rise of the Fiscal State in Europe*. A new Europe which fails to balance these issues satisfactorily cannot succeed; not to attempt to balance them is an abdication of responsibility by our political leaders. It is argued in the introduction to this book that there has always been a tension between the 'predatory' principle and the 'markets' principle in the evolution of rival fiscal systems and states. On the whole, the 'predatory' principle tended to predominate in the era of Mercantilism, both in the formation of markets and the development of market shares 'owned' by certain European states (classically, Britain in its age of greatness) at the expense of others. Coercion was critical: the greatness of Castile, the Dutch Republic (or United Provinces), France and Britain (broadly speaking, in that historic order) was a greatness built upon fiscal power which financed that state's armed forces, increasingly both navies and armies, on a sufficient scale to achieve the aims of political and/or economic hegemony. Though outside the period under review, Prussia largely followed this pattern in the nineteenth century. It has taken the enormous devastation wrought by two World Wars in the twentieth century for the new Europe to emerge on a contrary pattern to this predatory model. Instead of coercion and military power built upon the mobilization of fiscal resources acting as the driving force for greatness, the new Europe has moved

forwards by means of the integration and consolidation of markets in time of peace—not world peace, it is true; not even peace throughout the continent of Europe; but, crucially, peace between the members of the European Union, indeed the longest period of such uninterrupted peacetime development in European history. Although *The Rise of the Fiscal State in Europe* does not take the story of European conflicts and rivalries up to the present day, the theme of predatory competition between sovereign European states is highly apposite when the issues of 'sovereignty' and 'statehood' remain a matter of contemporary debate.

* * * * *

The Editor wishes to dedicate this book to his three daughters, Katherine, Sarah and Christine. Katherine was just one year old when she accompanied the European Science Foundation Project group to Wassenaar in the Netherlands for our first deliberations on *Economic Systems and State Finance* in 1989. Since then, Sarah and Christine have been born and reached school age: such is the period of gestation of collaborative ventures, rivalled perhaps only by the lengthy search for a common European currency!

In this period, one potential and one actual collaborator in the project sadly died. The Editor wishes to remember two historians of distinction: Derek Knights, who died in 1992, was both a personal friend and a valued potential contributor to this book because of his expertise on medieval banking; and Dr John B. Henneman Jnr, one of the great specialists on medieval France, who died in 1998 just before this book reached its proof stage.

The Editor also thanks two of his collaborators, without whose assistance this book would have taken much longer to produce. First, Professor W. M. Ormrod of the University of York, who cast an editorial eye over the text and gave invaluable assistance and encouragement; and secondly, Dr Margaret Bonney, who produced all the graphs and charts and without whose patient work the volume would lack its supporting material. Finally, Dr Juliet Vale is thanked for her patient copy-editing endeavours, which have rectified many errors of omission and commission. The editorial work on this volume was assisted by a semester of study leave awarded to the Editor by the University of Leicester in 1994–5.

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INTRODUCTION

The Rise of the Fiscal State in Europe, c.1200–1815

Richard Bonney

In order to understand the purpose of this volume, its relationship to two others requires some explanation. Between 1988 and 1992, a team of scholars working in the area of fiscal history participated in the European Science Foundation programme on the Origins of the Modern State in Europe, 13th–18th Centuries. Its conclusions were published by Oxford University Press under the title *Economic Systems and State Finance*.[1] It was the contention of this team of scholars that fiscal history should indeed be studied as a comparative phenomenon, which was the aim of that publication; but that, in addition, 'national' case studies were needed: the separate development of states required analysis in its own right.[2] This is the purpose of this volume. Inevitably, the chapters which follow have to cover a considerable timescale and in many cases the conclusions rest on a body of evidence which still requires further specialist study. The methodology of further detailed research in itself needed refinement. For this reason, another volume of essays, this time detailed case studies of different aspects of fiscal history, has also been prepared. This third volume is prefaced by a new conceptual model of change in European fiscal history (an adaptation of Kersten Krüger's model by Richard Bonney and W. M. Ormrod).[3] We will return to this conceptual model of change at the end of this introduction because it enables us to place 'national' developments within a broader context of change in European fiscal history.

Fiscal systems have always been with us, but what is here termed the 'fiscal

[1] Bonney (1995*a*). Since this volume is conceived of as a companion *hors série*, it largely follows the citation conventions of the ESF volumes.

[2] For the historiographical context: Blockmans and Genet (1993).

[3] Ormrod, Bonney and Bonney (1999), introduction. This introduction needs to be consulted to view Bonney and Ormrod's modifications to the model proposed by Kersten Krüger: ibid. tables 1, 2. Detailed case studies for France are to be found in Bonney (1995*b*).

state' has not. We read in the Old Testament that the Persian king Artaxerxes denied Ezra the priest and scribe the 'authority to impose general levy, poll tax or land tax' on any of the priests of Israel (Ezra 7:24); but the king admitted that previously 'powerful kings [had] ruled in Jerusalem, exercising authority over the whole province of Beyond-Euphrates, and general levy, poll tax and land tax [had] been paid to them' (Ezra 4:20). Ancient Israel, we may deduce, had its fiscal system and was even a 'tribute' state, although there was no clear distinction between the king's revenues and those of the kingdom.[4] If fiscal systems have always been with us, it might seem to follow logically that any fiscal system over time may be compared with another in a sort of balance sheet, 'a snapshot of economic history', without our seeking to explain 'how the financial system whose structure at a given time is described had acquired its form and how it developed afterwards'.[5] Alternatively, studies have focused on a specific tax, such as the British income tax ('the tax that beat Napoleon'), and attributed to it a general significance as a paradigm for the contemporary fiscal system under analysis.[6]

These are precisely the pitfalls which this volume seeks to avoid, for without a study of the evolution of various different fiscal systems it is impossible to determine whether 'there has been one path, or a few paths, that all pre-modern financial systems have followed, or whether each of these systems must be regarded as *sui generis*'.[7] Already by the eighteenth century, contemporary theoreticians had some understanding of the evolution of fiscal systems. Moreau de Beaumont in 1769 tried to describe the process which in modern parlance we would call the transition from the 'domain state' to the 'tax state',[8] while Necker had a very clear perception of the evolution of state finance before the French Revolution:

> No nation has established at a single moment all the taxes and levies (*droits*) with which it is presently burdened. The contributions necessary for each state (*société politique*) have been established in stages. Such stages are not equal, because expenses have increased as a result of wars and other extraordinary calamities. Thus there has been no general overview (*aucune vue générale et concordante dans toutes ses parties*) to direct the separate tax systems of the various European monarchies. Everywhere, the faults of the structure

[4] De Vaux (1962), 139. Not that Israel was the first fiscal system. Adams (1993), 5–15, begins with Ancient Egypt and it may be possible to go back to earlier civilizations.

[5] Goldsmith (1987), 8.

[6] Adams (1993), 343–55; Levi (1988), 122–44. Bonney (1993) and Gross (1993) show what can be done with regard to specific taxes, respectively the *dixième* of Louis XIV and the forced loan under the Revolution.

[7] Goldsmith (1987), 8.

[8] Bonney in Bonney (1995*a*), 447–63. Petersen (1975, 1982, 1983) is fundamental on the 'domain state'.

have been remarked upon, since the system was established progressively and in step with the needs of the ruler. Great changes had become impossible, because one could not risk prejudicing the relationship between expenses and revenues which a great sum of taxes and public charges makes difficult [to manage] even in ordinary times . . .[9]

In studying the rise of the 'fiscal state' in Europe through a series of case studies, this book takes Necker's idea of the evolutionary development of different fiscal systems as its central theme. We do not assume that any European state apart from Britain had necessarily achieved by 1815 the full characteristics which we attribute to a 'fiscal state'. What we do argue, however, is that a prevailing fiscal system may carry within it features of an alternative system. Like must be compared with like (or unlike) at least across the same timescale, which explains the ordering of the chapters in this volume: for the principal states, a medieval chapter and an early modern chapter for France or England may be compared with the same for Castile. Other countries, or paradigms of development such as the Papacy, receive separate treatment. Our concept of fiscal systems needs to be sufficiently fluid to be moved back in time, so that the embryonic or nascent 'fiscal state' may be capable of analysis. There are two important caveats about the study of 'national' development in the age before nation states. Firstly, did the 'nation' exist? Secondly, did the 'state' exist? As with all deceptively easy questions, neither of these permits an easy solution for all European states. Sometimes the prevailing assumptions of a country's 'national' historiography remain to be tested in a comparative context (in particular, a distinction between ethnic, state and civic nationalism has been suggested, nationalism being much more than the creation of a sovereign state).[10] In the Middle Ages, few kingdoms, principalities or city states actually called themselves 'states': the *Ordensstaat*, the state run by the Order of the Teutonic Knights, was the exception.[11] It has been argued, provocatively, that 'one cannot find the "state" in medieval Christendom, least of all in Germany, not even in Prussia, so the term should be avoided'.[12] This is certainly too extreme a denial of the existence of *de facto* states in the Middle Ages, and a case can be made out for the existence of some idea of an impersonal state in the years before 1450.[13]

For a concept of 'tax sovereignty' to exist there first needs to be a concept of

[9] Necker (1791), 153–4. [10] Michael Keating in *THES* 24 Sept. 1993, 19.

[11] Burleigh (1984) discusses its fiscal problems.

[12] Du Boulay (1983), 111, for the quotation; for a later period, Johnson (1975), 30–1; Guenée (1985), 49–65, introduces some of the problems; Lloyd (1980), xvi–xvii, argues that the idea of the impersonal state was a creation of the 16th century; Skinner (1978), 349–58 and Skinner in Ball, Farr and Hanson (1989), 102, places the fundamental change in the 17th century, that is 'a recognizably modern conception of the state' as 'an apparatus of power whose existence remains independent of those who may happen to have control of it at any given time'.

[13] Black (1992), 186–91.

'sovereignty'; but *de facto* tax rights may well have preceded the clarification of concepts. Such a theory of 'tax sovereignty' nevertheless is clear in the writings of Bartolus of Sassoferrato (1314–57), who asserted that city states were states in a fiscal sense ('the city is itself the fisc'), while new taxes were reserved to the people holding the position of ruler within the city. Significantly, perhaps, Bartolus' views were not on the whole adopted by other jurists,[14] who tended to equate the Emperor, the Empire and the fisc. The fisc was seen as the stomach of the juristic person, which absorbed and distributed all the materials needed for the functioning and government of the body politic.[15] Local rulers gained their tax rights by delegation from the Emperor or else asserted them as part of their rejection of the Emperor's authority in their lands. Bartolus' originality lay in his claim that a free people had 'pure and unmixed sovereignty', in other words, they possessed the totality of powers hitherto reserved to the Emperor. Sovereignty was deemed to be indivisible and such indivisible sovereignty was equated with absolute power by Bodin in 1576. Yet within a generation of Bodin's death, a German theorist, Christoph Besold, had refuted his argument on indivisibility. In the 1760s, Sir William Blackstone contended that all governments must contain 'an authority that is absolute', yet one of his contemporaries, Jeremy Bentham, retorted that this was tantamount to saying that 'there is no such thing as government in the German Empire; nor in the Dutch Provinces; nor in the Swiss Cantons; nor was of old in the Achaean league'.[16] Not all fiscal systems had states with 'absolutist' constitutions. A multiplicity of types require consideration, including states with limited sovereignty, such as the Swiss Cantons or the Venetian Republic, not merely 'absolutist' states, whether of the monarchical or Parliamentary type. Nor should we concentrate on those states which had emerged victorious by 1815. Among the questions to be asked by the separate contributors to this book are whether all types of state were 'predatory' in the sense of seeking to maximize revenue extraction—the Swiss Cantons and, later, Poland would seem to be exceptions—and, among the 'predatory' states, why some were some more successful than others.[17]

More problematic than the type of state to be studied is the definition of a settled state in physical or geographical terms in view of boundary changes resulting from the enormous expansion of some states (such as Russia) and the contraction of others (such as Poland). The decline in size of the French king-

[14] Ibid. 116, 129; cf. Isenmann in Bonney (1995*a*), 34. [15] Wilks (1963), 178–9.

[16] Quoted by Clark (1991), 16. For a critique of Clark's thesis: Pennington (1993), 285–8. For Besold: Franklin in Burns and Goldie (1991), 323–7.

[17] The postulate of Levi (1988), 3 (but the possibility of exceptions is recognized: ibid. 4). Cf. Levi (1981): 'The predatory theory suggests that a ruler will always seek to maximize his wealth and power . . . [and] maximize state revenue.'

dom in the Middle Ages, its reconstitution in the fifteenth century, and its dramatic expansion between 1659 and 1806 is merely an extreme example of the problem, which crucially affects all arguments concerning the fiscal capacity of the state. The collapse of a state, such as occurred in the case of Prussia in 1806, had significant territorial and fiscal consequences.[18] It is possible to rework the population and tax figures, for example of France, to arrive at constant borders, say the 'settled' boundaries of 1815.[19] No attempt to replicate this task for Europe as a whole has been made in this book. Instead, the states which are studied are the 'proxies' for the modern states which have replaced them: the Poland under consideration here is the state which existed in the sixteenth and seventeenth centuries, not the area covered by modern Poland with its quite different borders; Venice and the Papal States are examined as states in their own right, not as precursors of modern Italy (though comparisons between the Italian states are considered in a separate chapter, and the primary force for change, Piedmont and Savoy, receives particular emphasis). Even more problematic is the attempt to establish a balance sheet in the case of 'composite states', of which Europe had many examples before 1815.[20]

In *Economic Systems and State Finance*, the Editor attempted to broaden discussion of the concept of a 'fiscal constitution' advanced by Brennan and Buchanan, which describes the particular form that a prevailing type of fiscal system takes in a specific country at a given moment in its history.[21] The assumption underlying a 'fiscal constitution', as developed in the context of states in the twentieth century, is that governments have a natural tendency to spend excessively. Revenue maximization has thus been the essential aim of all states which could operate in this way, that is to say states unconstrained by broad political or specific electoral considerations. For the ordinary citizen, the power to tax is the most familiar manifestation of the government's ability to coerce. This power to tax involves the power to impose, on individuals and private institutions more generally, charges that can be met only by a transfer to government of economic resources, or financial claims to such resources—charges that carry with them effective means of enforcement under the very definition of the taxing authority. The power to tax, *per se*, does not carry with it any obligation to use the tax revenue in any particular way. Seen in this light, the power to 'tax' is simply the

[18] Bonney in Bonney (1995*a*), 357, 366–7.

[19] For population: Postel-Vinay (1989), 1024 (a reworking of Dupâquier's figures); for taxes: Le Goff and Sutherland in Forrest and Jones (1991), 69–70.

[20] Bonney (1991*b*); Elliott (1992). One such case, that of the Spanish Habsburg lands, is surveyed by Rodríguez-Salgado (1988), 50–72, and by Muto in Bonney (1995*a*), ch. 7.

[21] Bonney in Bonney (1995*a*), 6–7, 431–8. Note that Körner has demonstrated in Bonney (1995*a*), 417, and below, ch. 10, that the Swiss cities did not conform to the norm of revenue maximization due to over-expenditure postulated by Brennan and Buchanan.

power to 'take'. Fiscal rules seek to limit and direct the coercive means of government, as embodied most conspicuously in its power to tax. *All* constitutional rules may be interpreted as potentially limiting the power to tax.[22] Clearly each of the states under review established a different set of tax rules, which in part was a response to social and economic conditions, and in part created new social and economic responses.[23] Schumpeter wrote that the 'public finances are one of the best starting points for an investigation of society . . .' and enunciated the discipline of 'fiscal sociology' as the mechanism for understanding political and social change.[24] Even more central to our purpose is an understanding of fiscal history for economic history in general, as the motor for economic change. In large measure the state built its own set of tax bases.[25]

A complementary approach to viewing the state as essentially predatory, with its power to tax resulting from coercion, is to depict the development of fiscal systems in terms of markets. Clearly in violent times the thesis of the 'predatory' state is the most appropriate tool of analysis; but in more settled times, the market thesis may offer important additional insights. Markets depend on rules that are determined by the political power. In most European states, the government became the arbiter of disputes and defender of property and other commercial and trading rights. Markets often originated as grants by the king to the nobility or to towns in exchange for political support or revenue. Subsequently, the exchange of these rights, or their removal, was peculiarly difficult to achieve since compensation was expected for the loss of future income. In one sense, the whole economic and political structure of the state (its 'fiscal constitution' viewed from another perspective) was a set of competing property rights conceded gradually over time. At first, such property rights and rights to trade for certain groups may have stimulated the growth of local markets; gradually, they came to restrict the development of national and international markets. One of the advantages of a national representative institution, such as Parliament in eighteenth-century Britain, is that it provided a forum for competition, a place where competing groups could voice their demands and negotiate compromises. Without such a national representative institution (as in France between 1614–15 and 1789 when the Estates General was in abeyance), it is argued that government policy was subjected to the whims of what Hilton Root terms 'cronyism', which is defined as the 'allocation of rents to elites according

[22] Brennan and Buchanan (1980), 8–9.

[23] Cf. Levi (1988), 37: 'each major change in government had predictable consequences for transaction costs, discount rates, and relative bargaining power.'

[24] Schumpeter (1954), 7; also quoted by Mann (1986), 273; O'Brien (1988), 1. Sources for Schumpeter's 'fiscal sociology' cited by Bonney in Bonney (1995*a*), 2 n. 5.

[25] Bonney in Bonney (1995*a*), 13, 17–18, 500–5.

to their loyalty to individuals in power'. Early modern governments found it difficult to resolve conflicts, because of the need to carry out (usually in secrecy) simultaneous, multilateral negotiations with the constituent economic groupings of society. The risk was to offend some groups, and to turn them into enemies of the regime; or to be 'captured' by other groups, so that the regime in effect served their interests; or for group competition simply to lead to government paralysis.[26] The state therefore did not merely define its set of tax bases; it also defined its markets and its elites, though it may be suggested that taxpayers and especially elites with mobile assets deriving from trade were better able to exert a degree of control over rulers (and thus obtain an effective representative institution) than those with immobile assets largely deriving from landed wealth: a credible 'exit option' for wealth is perhaps necessary for the political lobby to be taken seriously by government.[27]

Before we proceed to consider fiscal sytems in Europe after c.1200, it is worth reflecting on the effectiveness of the fiscal system of Ancient Rome, and the extent to which the period between the fall of Rome and the gradual emergence of settled dynastic monarchies after c.1000 had led to fiscal reversion. 'We cannot compile anything like a balance-sheet of Roman public finance in the late Republic', we are told,[28] but certain relatively simple points need to be made. The substantial emissions from the Roman mints, chiefly of gold, were fuelled by the needs of war.[29] Taxes might be paid in coin or in kind; but either way, there was both a significant physical movement of tax revenue towards Rome, and a recirculation of that revenue in the form of expenditure by Rome on its provinces (though the revenues received from, and expenditures incurred within, the same province might well not balance: there was clearly a form of regional redistribution).[30] The imposition of taxes in kind, or rather the collapse of taxation in money, in the middle of the third century AD was both a consequence of a contemporary decline in trade and a cause of its perpetuation.[31] The fiscal system was remarkably complex, with significant provincial variations. Augustus' institution of periodic provincial censuses permitted the government to base tax demands on fairly realistic estimates of wealth.[32] There was a broad distinction between the land tax (*tributum soli*, which seems to have included

[26] Root (1992, 1994).

[27] Bates and Lien (1985); cf. Root (1992), 429, on the 'exit option' available to English financial elites in comparison with their French counterparts.

[28] Millar (1984), 21; but cf. Goldsmith (1987), 55.

[29] Hopkins (1980), 110–11; Millar (1984), 22; Depeyrot in Genet and Le Mené (1987), 29–33.

[30] Millar (1984), 21; Goldsmith (1987), 52.

[31] Hopkins (1980), 103, 116, 123–4; cf. Brunt (1981), 162.

[32] Brunt (1981), 163–5, 171–2; Brunt (1988), 67 n. 113. Bagnall and Frier (1994) is a systematic study of 300 census returns from Roman Egypt between AD 12 and AD 258.

movables)[33] and the poll tax (*tributum capitis*), although diversity remained the norm. Direct property taxes were imposed until 167 BC, though Cicero thought that such taxation was a last resort since it infringed property rights.[34] The total communal liability was often less than the liability of the individual possessors of the land, and grants of imperial revenue for local purposes are attested. Taxation was regressive, and there were significant regional variations (tax rates were higher in Egypt than Italy, for example, because the latter had no direct tax on land). No attempt was made to impose a uniform tax system or a single tax rate on crops and land throughout the empire, although it is true that some taxes (such as inheritance taxes and customs dues) were raised across the empire as a whole. Exemptions and concessions for privileged groups were rife. But while there were abuses, the overall burden of taxation was not necessarily oppressive: 33 kg. of wheat equivalent per person is the estimate of the annual tax exacted by the Roman state, more than the equivalent in England and France in the sixteenth century, but much less than these kingdoms raised after 1700. 'The effective tax rate was significantly less than 10 per cent of gross product', it is suggested, which meant that in the competition between taxes and rents the latter were victorious: low taxes meant that a higher private profit could be exacted from a finite surplus.[35]

If Ancient Rome clearly had a system of both 'state' expenditure and revenue, it also had a system of public credit. Revenue farming by *publicani* took place on a significant scale, and though some rulers were clearly more in favour of the system than others (Julius Caesar satisfied the demands of the publicans, while Sulla detested them), their capacity for dispensing with it was limited.[36] Revenues were normally farmed for five-year periods, to consortia which in effect were limited liability companies. There was a market in shares for such companies, much as was the case for the *ferme générale* in eighteenth-century France.[37] Tax farmers had huge sums at the disposal of their local representatives, pending remittances to the state or to their investors: these sums could be employed in loans, banking and trade or any other enterprise that promised a lucrative return.[38] The system of private financiers exploiting in their own interests the timing of payments to the state of its own tax revenues, which was denounced

[33] Brunt (1981), 166–7.

[34] Brunt (1988), 519; Levi (1988), 80. The abolition of the *tributum* may have increased dependence on tax farming: ibid. 87.

[35] Hopkins (1980), 105, 120, 122.

[36] Badian (1972), 94–5, 100, 102 (Caesar granted them a one-third remission on their payments in 59 BC, thus denying the principle of the farm); Brunt (1988), 160–1; the origins of the system are discussed in Levi (1988), 81.

[37] Badian (1972), 102–3; Bonney (1992), 159 n. 34.

[38] Brunt (1988), 169.

by John Law as late as the second decade of the eighteenth century,[39] was clearly already in existence in Ancient Rome. The system was expensive: in 47 BC, Julius Caesar substituted collection by urban authorities for tax farming in the Asian provinces, and lowered the tax burden by a third, apparently without reducing government receipts.[40] In the early principate, tax farming became much less significant, and it virtually ceased with the imposition of taxes in kind throughout the empire, because taxes in kind require more supervision than money taxes. The collapse of private finance corporations in Rome meant that there were no institutions which could offer private wealth to assist the state in an emergency (Ancient Rome, as far as it is known, never borrowed from private individuals or institutions). Debasement of the currency became the chosen fiscal solution, and the collapse of the central control of taxation was a critical factor in the disintegration of the empire.[41]

The situation pertaining in Europe *c.*1200 has been described in *Economic Systems and State Finance*, and a detailed discussion need not detain us here.[42] We should simply note that the consequences of the relative economic autarchy of the early Middle Ages and the political fragmentation following the barbarian invasions were still clearly evident. The fiscal systems of the various European states were relatively 'backward' in comparison with the Roman system at its height. In some cases, the predatory nature of rule was overt, and more akin to the Roman system in its decline, with an increasing reliance on irregular exactions (*superindictions*);[43] in other cases, the crown was forced from a position of political weakness to negotiate with its subjects for the (irregular) grant of 'aids' in a way which would have seemed demeaning to the Roman principate, while the grant of war taxes was exceptional and only for the duration of hostilities.[44]

Whether forcible levy or negotiation was the norm, military need was the driving force for the recrudescence of more developed fiscal systems in Europe. 'Over the millennium as a whole [AD 990–1992]', it has been written,

> war has been the dominant activity of European states. State budgets, taxes and debts reflect that reality . . . War wove the European network of national states, and preparation for war created the internal structures of the states within it . . . The wars of the French Revolution and Empire capped the trend, and ended the dominance of

[39] Bonney (1992), 172.

[40] Badian (1972), 116; Brunt (1988), 153–4, 192; Levi (1988), 91.

[41] Hopkins (1980), 122–4.

[42] Barta and Ormrod in Bonney (1995*a*), ch 2.

[43] Brunt (1981), 170.

[44] Brown (1992) discusses both theoreticians' views on customary aids and the practical difficulties faced by the crown in levying them; she also assesses the significance of the decree of 1334 of the *Parlement* of Paris restricting the full implementation of 'aids' to the royal domain: ibid. 215–17, 222–3.

mercenary armies . . . With a nation in arms, a state's extractive power rose enormously . . .[45]

If the gradual emergence of the 'fiscal–military state' is now a truism for the evolution of European states in general, different states clearly adopted different solutions—for example, Tilly has proposed a distinction between capital-intensive regions and coercion-intensive regions.[46] Yet military innovation had a variety of effects on the development of the state: 'the key to the rise of military-bureaucratic absolutism', for example, has been seen not in 'modernization and warfare themselves, but the mobilization of domestic resources to fund them'.[47] A distinction may be drawn between states which conducted warfare on the basis of resources raised exclusively or primarily outside their territory, and those which were reliant on domestic resources: in the former case, 'state building in the homeland' was much weaker than in the latter. If a state benefited from a more advanced economy than its rivals it might be able to avoid 'coercive resource mobilization'; this was clearly not a possibility in states with relatively undeveloped domestic economies.[48]

Some idea of the progress of the fiscal system in one country, France, may be gauged by a brief comparison between the first surviving 'budget' (the term remains very much a questionable one, until the early modern period), that of 1202–3, and the so-called last 'budget' of the *ancien régime*, that of 1788.[49] The accounts of 1202–3 were divided into four sections: the revenues and expenses of the *prévôtés* of (northern) France (34,014 Paris pounds in revenue); an enumeration of the sums due to the crown from the communes and abbeys in the *service d'ost*, referred to as the revenue of the *sergents* (26,453 Paris pounds);[50] an enumeration of revenues and expenses of the *bailliages* (82,459 Paris pounds); and finally, an enumeration of the revenues and expenses of the Marcher regions, the fortresses of the Vexin occupied by the French army (67,998 Paris pounds in revenue). The total revenue of 211,768 Paris pounds requires adjustment for *debets* and so on, which would produce a revenue for the *domaine direct* of about 196,000 Paris pounds; expenditure totalled only 95,445 Paris pounds, so there was a surplus of about 100,000 Paris pounds to pay for the king's household expenses and to hold over as a reserve. Philip Augustus' revenues are considered to have

[45] Tilly (1992), 74, 76, 82–3; cf. Parker (1988).

[46] Tilly (1992), 56–7, 99.

[47] Downing (1992), 14; Tallett (1992). Some detailed comparisons are made by Bonney in Bonney (1995*a*), ch. 11.

[48] Downing (1992), 78–9.

[49] Lot and Fawtier (1932); Braesch (1936). For a cautionary note with regard to the concept of the 'budget': Bonney (1991*a*), 208 n. 139; Bonney and Bonney (1993), 101 n. 35.

[50] Lot and Fawtier (1932), 3. See ch. 3, n. 5, for the Paris pound.

been higher than those enjoyed by King John from his English lands at the same date, although in a normal year the Plantagenet dynasty's Continental possessions would probably have altered the balance.[51]

What a contrast with the *état de prévoyance* established by Loménie de Brienne in March 1788! The distinction between ordinary and extraordinary revenues was observed. The twenty-seven different categories of ordinary revenues produced a gross sum of 472.4 million *livres tournois*, but only 211.7 million after charges and costs were deducted. Extraordinary tax revenues amounted to only 18 million.[52] There were thirty-eight categories of ordinary and extraordinary expenses, totalling respectively 286.8 million and 85.6 million (thus 372.4 million in total). Military expenses (the *département de la guerre*) formed the largest single item (101.4 million in total, or 27.2 per cent). The reimbursement of loans (50.7 million or 13.6 per cent of the total) incurred more expenditure than did the marine and the colonies (47.3 million or 12.7 per cent of the total). If the various items of expenditure are somewhat arbitrarily placed into three categories (military and diplomatic expenses; civil expenses; and debt servicing), then the proportions of expenditure are respectively 43.4, 24.9 and 31.6 per cent of the total.[53] The deficit between ordinary revenue and expenditure was calculated, after allowances for additional revenues and savings on expenditure, at 54.8 million *livres tournois*.[54] However, even such a relatively late and sophisticated budget is open to considerable interpretation and refinement. A reworking of the figures for 1788 by Braesch suggests that debt servicing costs had in fact reached the much more significant figure of 49.3 per cent of total expenditure.[55]

Such a brief comparison between so-called 'budgets' from quite different periods demonstrates the importance of technical developments by the state, its capacity to innovate, and, however imperfect the techniques, the greater detail and sophistication of accounting practice towards the end of the period under review. New taxes had been developed, new wealth had been tapped, new mechanisms of enforcement had been established. To some extent at least, science and rationalism had been harnessed to the needs of the

[51] Ibid. 48, 51, 131, 135–9; other figures are cited by Ormrod and Barta in Bonney (1995*a*), 66–7, esp. fig. 7; see also the discussion of Henneman in ch. 3 below.

[52] The total figure was 168.1 million *livres tournois* for extraordinary revenues: Braesch (1936), 107; but of this sum 150 million was provided by borrowing (itself offset by 57.3 million in reimbursements). Net loan revenue was thus about 92.8 million, or the figure for the deficit.

[53] Braesch (1936), 171.

[54] Ibid. 176. Reworking the figures, ibid. 213, Braesch suggested that the real deficit was 125.9 million *livres tournois*. The legitimacy of this methodology is questioned by White (1989), 550–1, 565, who proposes the figure of 92.8 million for the deficit.

[55] Somewhat different figures for expenditure and revenue in 1788 are cited by Morineau (1980), 314–15. For debt servicing costs as a proportion of total expenditure: Crouzet (1993), 61.

state.[56] The development of cadastral mapping in Europe is merely one example of this growth in the capacity of the state to measure its fiscal base;[57] the science of probability theory for the calculation of life expectancy (and hence the profitability for the state of life rents and *tontines*) is another.[58] In general, these developments were made in western Europe. Technical innovation came to eastern Europe relatively late, and mostly by the transmission of ideas from western Europe: the lack of progress in some fiscal systems, especially those in eastern Europe, is an issue of historical importance in its own right and lends particular significance to the chapters in this volume on Poland and Russia. Russia overtook Poland in terms of its political and fiscal development and was one of the main beneficiaries of the partition of Poland in the later eighteenth century. By the eighteenth century, 'mountains of debt' and high debt–revenue ratios had become the norm in western Europe, yet in the east only Russia—and not Poland—was able to adapt to the western model by 1815. The capacity of governments to borrow, and the interaction of the constraints on borrowing and the power to tax, it was argued in *Economic Systems and State Finance*, had become the real test of the fiscal powers of the 'modern' state by 1800–15.[59] However, the rise of the 'fiscal state' in Europe was a long process of change and transition in which many different elements played a part. While there must be a perspective—some sense of where the 'state' was heading by 1815—there must be no teleology. It has been seen that there was no single model of the European state. A diversity of paths towards fiscal development is equally possible and plausible. Some of the changes described in this volume are still very much with us: in Britain,

> stamp duty has done a useful job at raising revenue during 14 reigns. For all that time it has doubtless been hated. But save for one notorious incident, when the stamp on the tea trade set off the American War of Independence, it has generally not been hated very much.[60]

There are doubtless examples in other European countries of taxes which originate in the Napoleonic period or earlier.

This volume represents a synthesis of some of the conclusions of what has been called the 'new fiscal history'.[61] Much work remains to be done, in terms of the methodology of the study of regions in European history (on which the

[56] The arguments adduced by King (1949), 172–8, are strengthened somewhat by the growing sophistication of theoreticians of state finance: Bonney in Bonney (1995*a*), 176–206.

[57] Kain and Baigent (1992).

[58] Jennings and Trout (1982), 14–15, 19; Riley (1985*a*), 11–15.

[59] Bonney in Bonney (1995*a*), 382–6.

[60] G. Searjeant, 'King William's levy still bears the stamp of a good tax', *The Times* (4 July 1994).

[61] Hoffman and Norberg (1994), 2; Tracy (1994), 563.

Editor has commented elsewhere)[62] and the collection of the basic data[63] against which all judgements (including those expressed here) must ultimately be adjusted. The traditions of scholarship in other countries, notably Germany and Scandinavia, have been strongly influenced by the notion of fiscal change originally propounded after the First World War by Joseph A. Schumpeter, who argued that there was an inexorable shift from the 'domain state' to the 'tax state'.[64] His views have been modified, but (it may be argued) not fundamentally challenged, by more recent studies by scholars such as E. Ladewig Petersen and Kersten Krüger.[65] Krüger's model of the transition from 'domain state' to 'tax state', which was originally proposed in 1987, has now been adapted by Richard Bonney and W. M. Ormrod.[66] This revised model rests on the view (1) that crises occur *within* fiscal systems but do not change their essential nature; (2) that revolutions *move* a fiscal system on (that is, from one system to another); while, finally, (3) 'self-sustained growth' is a model for *development* within the modern 'fiscal state'. The Bonney–Ormrod model depicts changes in European history in terms of the operation of four prevailing types of fiscal system, called 'tribute', 'domain', 'tax' and 'fiscal' state. Following the discussion by Gerhard Oestreich, German historians are inclined to view the sixteenth century as a period of so-called 'finance state',[67] but Bonney and Ormrod see this as no more than a less developed phase of the 'tax state' characterized by an increased government reliance on borrowing without a sufficiently sophisticated financial structure to support it. Default, and the premium paid on a history of default ('default risk'), become critical features in the later stages of the 'tax state'. Just how frequently could a state default without a disastrous loss to its reputation at home and abroad, and therefore a weakening of the ability to borrow in the future?

In the view of Bonney and Ormrod, Schumpeter's historical analysis was deficient, because he failed to observe that there are numerous examples of 'tax states' having broken down at an earlier date than the end of the First World War, when he postulated his 'crisis of the tax state': Napoleon's armies swept many of them away.[68] An external threat from a military superpower could simply overwhelm the resources available to a 'tax state' which suddenly found

[62] <URL:http://www.le.ac.uk/hi/bon/ESFDB/tax.html>.

[63] Consult the European State Finance Database on the World Wide Web: <URL:http://www.le.ac.uk/hi/bon/ESFDB/index.html>. The graphs in colour for *Economic Systems and State Finance* are at <URL:http://www.le.ac.uk/hi/bon/ESFDB/econgraf/html>, and for this volume at <URL:http://www.le.ac.uk/hi/bon/ESFDB/fiscgraf/html>.

[64] Schumpeter (1954 [originally pub. in German in 1918]).

[65] Petersen (1975, 1982, 1983); Krüger in Witt (1987).

[66] Krüger in Witt (1987), 52; Ormrod, Bonney and Bonney (1999), introduction.

[67] Oestreich (1982); Schulze in Bonney (1995*a*), 263.

[68] Bonney in Bonney (1995*a*), 360–76.

that it could not defend itself. Only one state, Britain, had reached the more advanced stage of a 'fiscal state', within the Bonney–Ormrod definition, and thus could defend itself from such a military superpower. That combination of sophisticated credit structures and a capacity for sustaining fiscal increases over time both in political and in economic terms was at the time unique: Britain emerged as the sole economic superpower at the end of the Napoleonic wars. In that sense, perhaps this book should have been entitled *The Rise of a Fiscal State in Europe, c.1200–1815* instead of *The Rise of the Fiscal State in Europe, c.1200–1815*. But that would be to deny those elements of the modern 'fiscal state' which were present in the fiscal systems of other countries, but in a less developed form: the fact that the dynamic interaction of these features was only achieved in Britain before 1815 does not disprove their existence elsewhere. Subsequently, Britain was displaced as an economic superpower and other states have learned how to develop as truly modern 'fiscal states'. But that is another story, and one which lies outside the scope of this volume.

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CHAPTER I

England in the Middle Ages

W. M. Ormrod

The kingdom of England is often taken as the prime example of a strong, centralized state in the Middle Ages, with a powerful monarchy, a sophisticated system of government and a single representative institution claiming to act in the name of all the people of the realm.[1] The process of centralization had its roots in the late ninth to the early eleventh centuries, when the kings of Wessex established themselves as rulers of the whole of England and created an effective system of local administration to institutionalize their authority. The Norman conquerors of the late eleventh century retained much of the Anglo-Saxon system of government, but grafted onto it the military, political and fiscal powers associated with Continental feudalism. This provided a powerful incentive to the development of central administrative institutions. It was under Henry I (1100–35) that the Exchequer (*scaccarium*) first emerged in order to audit the accounts of the king's local agents, the sheriffs; and it was under Henry II (1154–89) that the series of centrally administered itinerant commissions known as eyres became a regular feature of English judicial administration. Indeed, despite the celebrated quarrel between King John (1199–1216) and his barons and the sealing of Magna Carta in 1215, the regime of Henry III (1216–72) maintained much the same authoritarian stance as its predecessors.[2]

The character of the polity was fundamentally altered, however, by the advent of long-term, large-scale and expensive wars in the late thirteenth century. Under Edward I (1272–1307), the costs of war increased enormously, and much of the crown's expenditure had to be financed out of public taxation.

[1] The author acknowledges the assistance of Dr M. M. Bonney, Mr R. StJ. Hooper, Mr V. D. Moss and Dr R. S. Schofield.

[2] Green (1986), 38–50; Crook (1982); Clanchy (1968), though note the revisionist stance of Carpenter (1985).

There was a long-standing convention that the crown should seek some form of consent for the imposition of extraordinary taxes, and from the 1290s it became normal practice to summon 'parliaments' comprising not only the crown's lay and ecclesiastical tenants-in-chief, who voted taxes on themselves and their villeins, but also representatives of the shires and towns, whose consent made taxation binding on the whole community of the realm. This authority to tax gave Parliament considerable political strength, and from the beginning of the fourteenth century the lords—and later the commons—submitted lists of grievances which they linked implicitly (and occasionally more explicitly) to the grants of supply. Recognizing the negotiating position that had thus been set up, the crown responded to these petitions with remedial legislation, and by the mid-fourteenth century it was generally accepted that the most formal royal legislative acts, known as statutes, could only be made in, and with the assent of, Parliament. War taxation had thus given Parliament an early influence over legislation and profoundly altered the basis and balance of English politics.[3]

It is easy to exaggerate the extent and the implications of this change, particularly if the historian chooses to associate the growth of Parliament with the series of royal depositions that occurred in England between 1327 and 1485.[4] In fact, the successful kings of the later Middle Ages, such as Edward III (1327–77) and Henry V (1413–22), demonstrated the very considerable political authority—and financial benefit—that the crown might derive from the new accommodation; and it is as well to stress that late medieval Parliaments very rarely sought to extend their influence over the executive or to effect the accountability of royal officials in either the financial or other offices of state.[5] None the less, there remained a very striking difference between the political and fiscal systems that had emerged by the fifteenth century in England on the one hand and her near neighbour and greatest rival, France, on the other. In the 1470s, Sir John Fortescue drew a distinction between what he called the *dominium regale* of France and the *dominium politicum et regale* of England, identifying the difference between the two systems in specifically fiscal terms: in France, he remarked, the monarchy could impose taxes at will, whereas in England it had to seek consent.[6] Therein lay an abiding and important truth about the development of English state finance.

[3] Harriss (1976), 35–56; Harriss in Davies and Denton (1981), 29–60.

[4] For a salutary warning: McKenna (1979).

[5] Ormrod (1990), 60–8; Harriss in Harriss (1985), 137–58; Roskell in Fryde and Miller (1970), ii, 307–21.

[6] Fortescue, ed. Plummer (1885), 109–18. See also Dunbabin in Burns (1988), 512–14; Lander (1989), 3–17.

I

English fiscal historians have been somewhat slow to adopt the terminology of the 'domain state' and the 'tax state' used in reference to so many other European fiscal regimes of the late medieval and early modern periods.[7] In part, this is explained by the fact that the early development of English government finance followed a cyclical rather than a linear pattern. Some two centuries before the official starting-point of this volume the late Anglo-Saxon monarchy had devised a highly sophisticated and remarkably productive land tax known as *geld* or *danegeld*. The survival of older Germanic principles of public obligation, together with the apparent influence of earlier Carolingian models, therefore created the theoretical and administrative potential for a precocious 'tax state' in England long before the start of the thirteenth century.[8] On the other hand, it can also be said that for most of the twelfth and thirteenth centuries the kings of England operated a fiscal regime that conformed very closely to the conventional definition of a 'domain state'. English historians have tended to use the term 'domain' (which they usually and rather confusingly render as 'demesne') in its narrowest sense, as the permanent landed estate held by the crown.[9] But they have also had to acknowledge that there was no proper notion of an inalienable patrimony before the fifteenth century, and that when the political community first began to articulate concerns over the subsidizing of ordinary expenditure and to argue that the crown should 'live of its own', the 'domain' was assumed to include not only the crown estate proper but also a wide range of profits and privileges which fell to the king through the exercise of feudal, regalian and jurisdictional rights.[10]

If the domain is interpreted in this wider sense, then much of the structure of royal finance from William I to Henry III merits classification as a domain economy. Furthermore, the remarkable survival of so many of the records of the medieval Exchequer allows a rare and precious opportunity to identify and quantify the various categories of royal receipts within this early financial system.[11] The tenurial revolution that accompanied the Norman Conquest of

[7] Petersen (1975); Buchholz (1990).

[8] For a full discussion and bibliography: Ormrod and Barta in Bonney (1995), 56–8.

[9] This narrow definition arises in turn out of the medieval term *dominica regis*, for which see Hoyt (1950), 1–8; Wolffe (1971), 17–24.

[10] Wolffe (1971), 72–5. The crown itself had earlier articulated the idea of the king living 'of his own': Prestwich in Taylor and Childs (1990), 6.

[11] The calculations made from the earliest series of Exchequer accounts, the pipe rolls, by Ramsay (1925), have been much criticized not only on technical grounds but also because of the questionable validity of comparing totals whose constituent elements often appeared only erratically in these records. Some historians, however, continue to use such totals as at least a rough index of relative royal prosperity: for example, Holt (1975), 234–5; Carpenter (1990), 413–17.

FIG. 1.1 Annual average value of fines imposed for the purchase of wardships and marriages of heirs of tenants-in-chief, 1154–1327

England created two main types of landed revenue for the crown. The royal estates themselves expanded enormously in both size and value, making the king by far the greatest landholder in the realm at the time of the great Domesday survey of 1086.[12] Thereafter, they declined rapidly in importance as a result of the need to provide largesse for royal followers.[13] This is reflected in the Exchequer accounts, where the net value of the farms charged on the sheriffs (the administrators of the royal estates) fell from nearly £7,500 in the early twelfth century to about £4,000 by the end of the thirteenth.[14] Unlike certain other monarchies, however, the English crown did not become impoverished through alienations, since it was able to exploit its second landed base and profit from a particularly wide range of feudal and regalian rights over the estates of lay and ecclesiastical tenants-in-chief. Figures 1.1 and 1.2 indicate the way in which two such prerogatives, namely the selling of royal wardships and the management of vacant episcopal estates, were used between the late twelfth and the early fourteenth centuries.[15] The marked increase that can be discerned in both

[12] Fleming (1991), 215–31. [13] Green (1979).

[14] Green (1986), 223 (adding together the 'amount paid' and 'expenditure' columns for 'County farms' and 'Borough farms'); ESFDB \orm\engd047.

[15] ESFDB \orm\engb014; \orm\engg032. In Fig. 1.1 the subdivisions of reigns are as follows: Henry IIIa, 1217–41; Henry IIIb, 1242–51; Henry IIIc, 1252–71; Edward Ia, 1272–96; Edward Ib, 1297–1306. For the methods used in the later Middle Ages to restock the crown's landed resources: Wolffe (1970), 29–36.

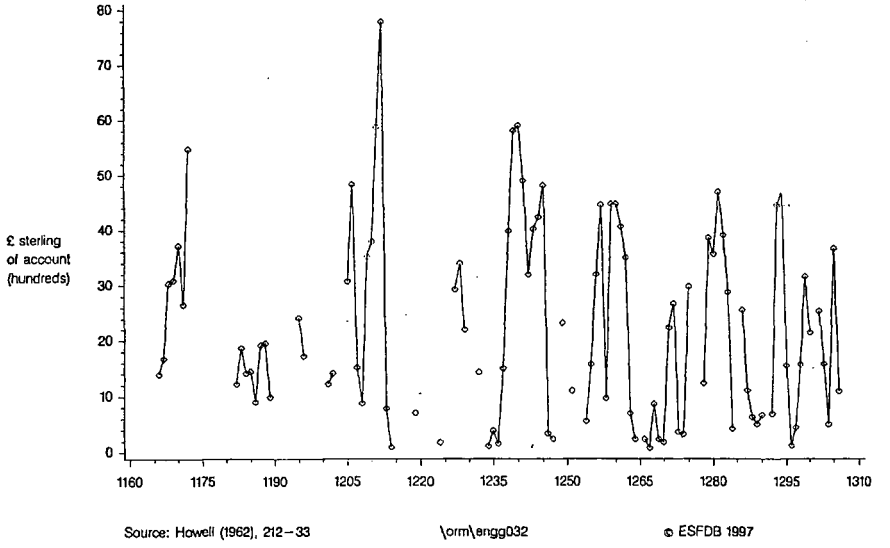

FIG. 1.2 Net receipts from royal management of episcopal temporalities, 1166–1307

sets of data during the reigns of Richard I and John inevitably provoked opposition, but the crown's determination to maintain its rights, coupled with a buoyant agricultural economy, meant that the management of landed estates continued to be a productive enterprise throughout the thirteenth century. This was emphasized by successful, if controversial, efforts to increase the productivity of the royal estates (Figure 1.3).[16] The result was that by the 1240s at least the revenue from the sheriffs and other crown lands, together with feudal and regalian profits, were still providing a very substantial proportion of Henry III's total annual income (Figure 1.4).[17]

This is not to say that the crown revenues of the twelfth and thirteenth centuries were totally dependent on an agricultural base. Indeed, a significant proportion of the farms charged on the sheriffs actually derived not from land but from the exercise of jurisdiction. In theory, justice was always a profitable enterprise. In practice, however, it seems that the Normans used the fines and amercements imposed in the royal courts more as a political than a fiscal tool, and the net income from such levies was relatively small.[18] The real transformation in the profitability of royal justice came in the later twelfth and thirteenth

[16] ESFDB \eng\engb015. For the emergence of this system of exploitation: Harris (1967); Stacey (1987), 45–92.

[17] ESFDB \orm\engb016.

[18] Ormrod and Barta in Bonney (1995), figs 5, 6; Caenegem (1988), 103–4.

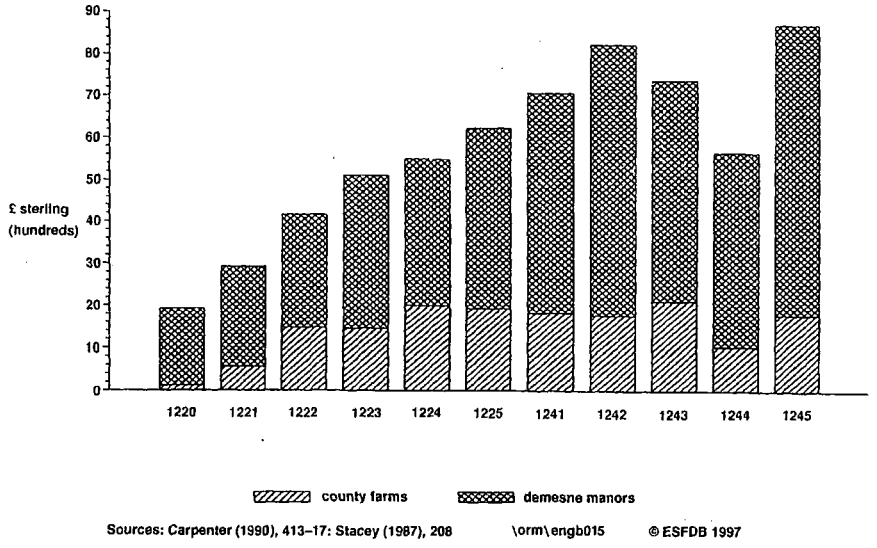

FIG. 1.3 Net receipts from crown estates under Henry III

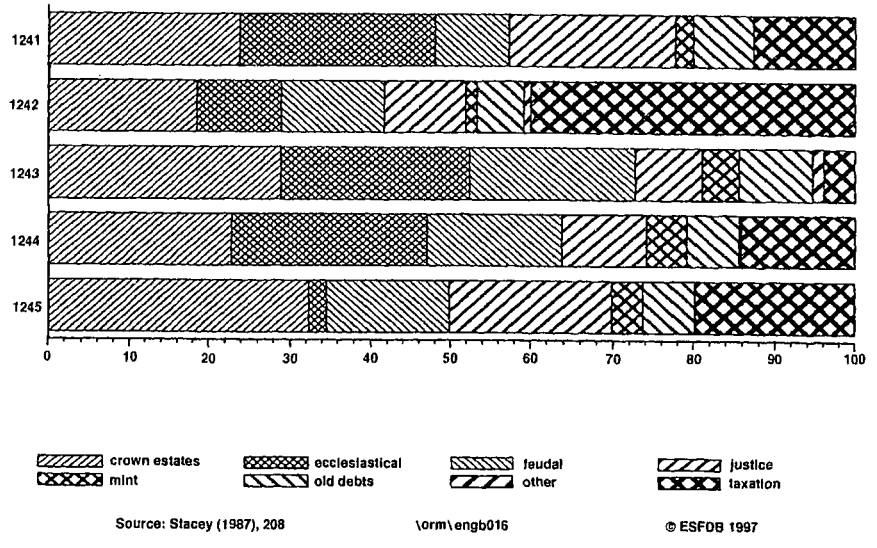

FIG. 1.4 Categories of ordinary revenue accounted for at the Exchequer, 1241–5

centuries as a result of the activities of the general eyre. It has been calculated, for example, that the eyres of 1234–6 and 1246–9 netted some £19,000 and £22,000 respectively for the crown; even taking into account the intermittent nature of the visitations and the fact that payment of such judicial penalties was spread over two to three years, these figures obviously represent a significant contribution to royal resources.[19]

Another equally impressive, though also occasional, source of royal revenue in the twelfth and thirteenth centuries derived from the arbitrary tallages imposed on the royal estates and towns and on the Jews. The statistics for tallages of the crown lands and boroughs set out in Figure 1.5, though incomplete, tend to exaggerate the profitability of this levy by measuring assessments rather than yield. Nevertheless, some of the larger recorded tallages, such as that imposed for King John's expedition to Ireland in 1219, seem to have been highly successful financial measures.[20] The tallages of the Jews are less well documented, but royal demands from this group seem to have reached a peak in the reign of Henry III: even assuming a fairly large discrepancy between assessment and yield, the demands for £13,333 in 1241 and an amazing £40,000 in 1244–50 seem to have permanently impoverished the Jewish communities in England, and their formal expulsion by Edward I in 1290 in part reflected the collapse of this formerly important source of royal finance.[21]

The fiscal rights most surprisingly neglected by the Norman and Angevin rulers were those arising from the crown's quasi-monopoly over the coinage. In other parts of medieval Europe, rulers derived large profits either from the seigniorage charges levied on bullion brought to royal mints or from periodic taxes levied in lieu of currency alterations. The latter became a particularly important source of ducal income in Normandy, but was abolished in England by Henry I in 1100 and thereafter seems to have disappeared from use north of the Channel.[22] The abandonment of a regular cycle of demonetization and recoinage after 1158 also deprived the crown of significant direct profit from the mints.[23] It may be that the long period of relative inactivity at the mints during the later twelfth and thirteenth centuries made the crown careless of the potential profit to be had from seigniorage. Certainly, when general recoinages were introduced once more after 1279 there is very little to indicate that they were conceived as fiscal measures: Figure 1.6 indicates that there were only a few years over the following century in which significant profits were made from the

[19] Maddicott (1984), 47.
[20] ESFDB \orm\engbo17. The standard work on this subject is still Mitchell (1914).
[21] Stacey (1985); Stacey (1987), 143–50, 228; Richardson (1960), 214–16, 227.
[22] Bisson (1979), 14–28.
[23] Campbell (1975), 52.

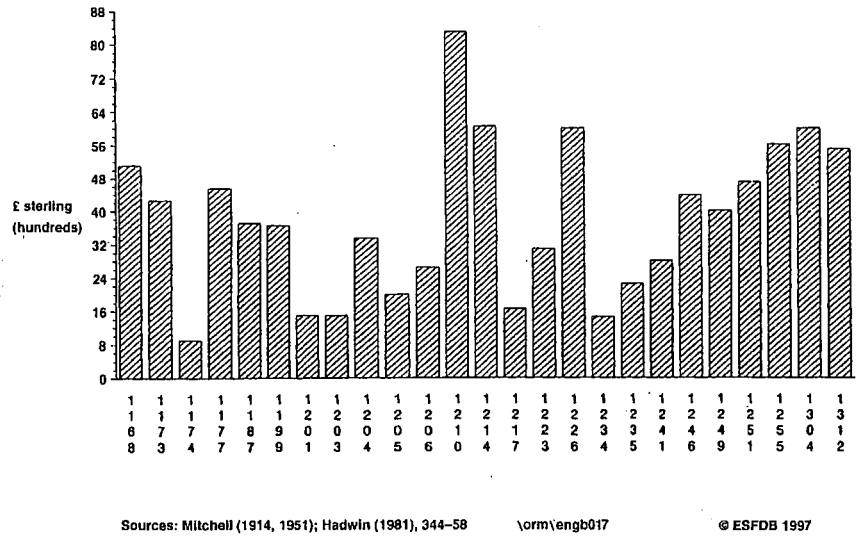

FIG. 1.5 Assessments for selected tallages of the royal demesne and towns, 1168–1313

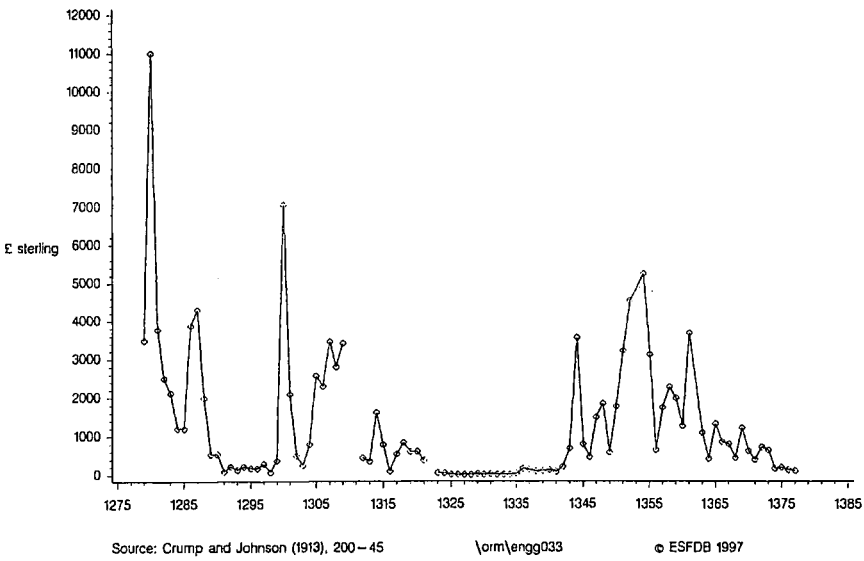

FIG. 1.6 Gross profits from seignorage taken at the English mints, 1279–1377

mints.[24] The comparison with later medieval France is striking, and was not lost on contemporaries.[25]

II

It was therefore on the profits of land and jurisdiction that the English crown built its fiscal regime in the twelfth and thirteenth centuries. Three factors, however, may be said to have militated against the perpetuation of a 'domain state' and encouraged notable fiscal experiments which were to transform the whole basis of royal finance between the late thirteenth and the mid-fifteenth centuries. The first was a significant increase in expenditure. Despite the productivity of their Continental possessions, most Norman, Angevin and Plantagenet kings had to draw extensively on the English Treasury to support their wars of conquest and reconquest in France.[26] Secondly, there were dramatic economic changes between the late twelfth and the late fourteenth centuries. The thirteenth century witnessed considerable and sustained inflation which potentially eroded the real value of royal revenues and inevitably drove up expenditure (Figure 1.7).[27] Then, after a period of economic stability and growth in the mid-thirteenth century, there was a gradual decline in agricultural output culminating in a serious crisis during the early fourteenth century and the eventual collapse of arable farming after the cataclysm of the Black Death.[28] These developments made it increasingly obvious that escalating royal expenditure could not be met out of a domain-based fiscal system. Thirdly, and finally, the political community began to take an active role in the evolution of royal finance by using the new authority of Parliament to restrict many of the older fiscal rights on which the crown had depended.[29] These three phenomena therefore combined to produce a decisive shift away from the exploitation of landed resources and feudal prerogatives to a new system based on the general taxation of the entire realm. Herein lay the roots of the later medieval fiscal revolution.

It was a characteristic of feudal taxation that royal demands were formally restricted to certain social groups and geographical areas. In addition to tallages, the other important levies of this type in the twelfth and thirteenth centuries were the aid (*auxilium*) which the king could impose on his feudal

[24] ESFDB \orm\engg033.

[25] It is significant that on assuming the title of king of France in 1340 Edward III promised not to manipulate the French coinage in the manner of recent Capetian and Valois monarchs: Avesbury, ed. Thompson (1889), 309.

[26] Holt (1984); Vale (1990), 200–15; Allmand (1992), 384–403.

[27] ESFDB \engindic\eingoo1; Ormrod in Coss and Lloyd (1995).

[28] Harvey in Hilton (1976); Harvey in Campbell (1991); Baker in Darby (1976), 197–218.

[29] Harriss (1975), 376–419.

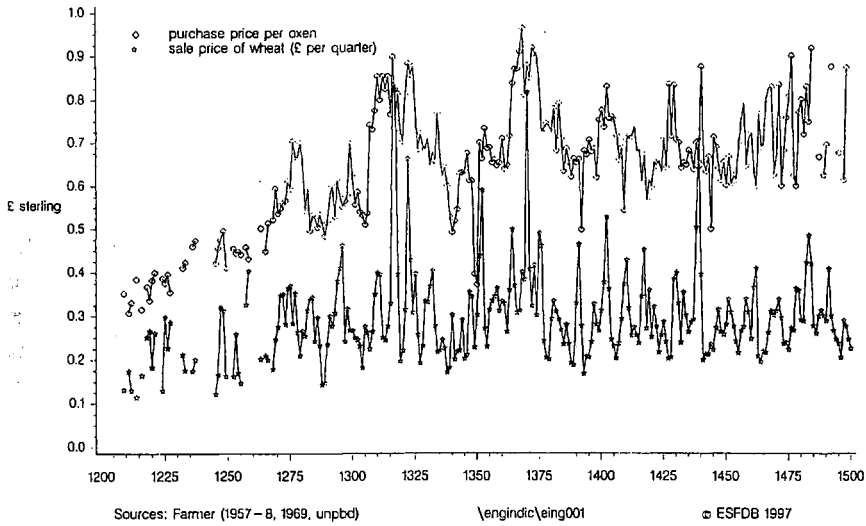

FIG. 1.7 National averages of sale prices for wheat and purchase prices for oxen, 1209–1500

tenants-in-chief; scutage (*scutagium*), the composition paid in lieu of the knight service owed by the same men for the feudal host; and gifts (*dona*) collected from religious houses holding land from the crown but not owing knight service for them (Figure 1.8).[30] Although the king could levy a 'gracious' aid at will for the ransoming of his own person, the knighting of his eldest son and the marriage of his eldest daughter, the levy had to be 'reasonable'—that is, assessed at the traditional rates. If a higher rate was required, or if the king needed an aid for other circumstances, such as the making of war, then it was generally accepted that the tax required the consent of the tenants-in-chief. These restrictions, and the general need for the active co-operation of the magnates, meant that by the later thirteenth century all aids were subject to negotiation.[31] The barons enjoyed considerable discretion in judging requests for assistance, and it was not at all uncommon for the crown to encounter widespread and repeated refusals of financial assistance. Still more contentious—and onerous—was scutage, not simply because it was collected more frequently but also because, in the time of King John, the crown often imposed supplementary personal fines on the barons which could not be passed on to their own mesne tenants.[32] It is not surprising,

[30] ESFDB \orm\engbo27.

[31] Holt (1992), 317–21; Prestwich (1990), 112–18.

[32] Warren (1978), 148. The earlier history of scutage as a fiscal expedient has been reassessed by Keefe (1983).

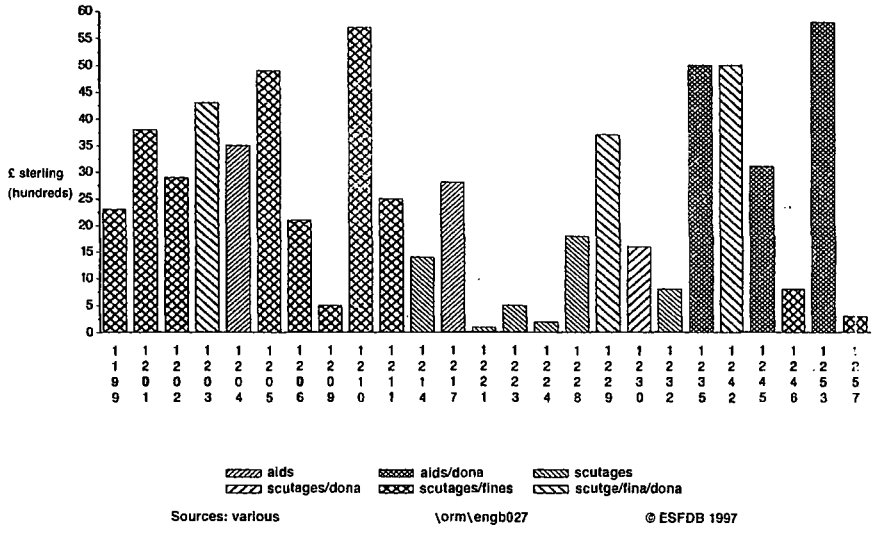

FIG. 1.8 Net receipts from feudal aids, scutages and associated fines and ecclesiastical *dona*, 1199–1257

then, that political factors could easily turn the administration even of a properly legitimized feudal tax into a highly troublesome business. Consequently, from the time of Edward I only a few exceptional feudal aids and scutages were collected. In 1306, a particularly important precedent was set when a gracious aid and a tallage were commuted by the offer of the general subsidy authorized in Parliament.[33] The move from feudal to universal taxation was now inevitable.

The failure of the feudal aid necessitated the development of alternative forms of direct taxation which could more adequately support the crown's military enterprises. The emergence of direct subsidies collected from the lay and clerical population is a vast subject whose full details cannot be explored here.[34] Taxes on the laity emerged out of the crusading levies on movable property and revenues ordered by English kings in 1166, 1188 and 1201 and the special subsidy ordered for the collection of Richard I's ransom in 1193–4. In 1203 and 1207, King John was able to secure similar taxes for his war against Philip Augustus, and at least on the second occasion created a coherent system of assessment and supervision which transformed what had previously been regarded as essentially voluntary gifts into compulsory charges. Such was the

[33] Sayles (1988), 274–5. Details on the later history of tallage, scutage and aid are summarized in Brown (1989), 75–6.

[34] For full bibliographical details: Ormrod and Barta in Bonney (1995), 68–70; Ormrod in Bonney (1995), 128–33; Ormrod in Campbell (1991), 151–67.

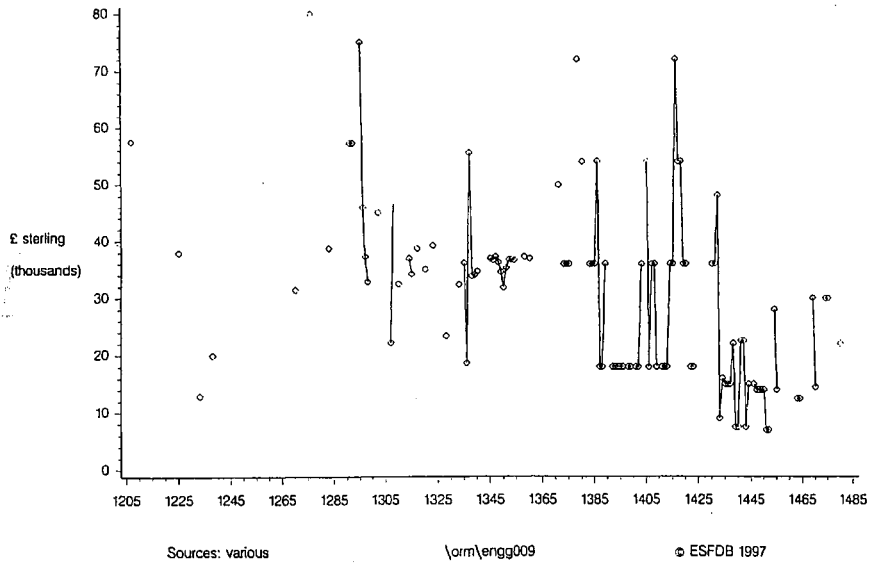

FIG. 1.9 Revenue to the English crown from lay taxes on movable property, 1207–1485

success of the 1207 levy, raising as it did the truly remarkable sum of £57,400 net, that subsidies on movable property (though not, after 1207, on revenues) became the standard means of taxing the laity for the rest of the Middle Ages.[35] As Figure 1.9 demonstrates, however, the subsidies on movables remained highly exceptional until the 1290s. It was only after the outbreak of important wars with Scotland and France under Edward I and his successors that these taxes became a common (if still technically extraordinary) element in the state's finances.[36]

Meanwhile, the clergy had also been drawn fully into the system of royal taxation, though not, as it transpired, on the precedents set down in the twelfth-century subsidies on movables. Instead, the clergy came to be taxed on incomes, with the levies being authorized either by the Papacy or, as became the practice after the 1330s, by direct negotiation with the clerical convocations representing the provinces of Canterbury and York. The basis of assessment did not alter after 1291, but the rate fluctuated considerably in the late thirteenth and early fourteenth centuries and only became fixed at a tenth from the 1320s (Figure 1.10).[37] Although the clergy persisted in the idea of voluntary contributions rather longer than did the laity, and managed to retain control over the assessment and

[35] Mitchell (1914), 91 n. 31; Prestwich in Genet and Le Mené (1984), 183–4.
[36] ESFDB \orm\engg009.
[37] ESFDB \orm\engg044.

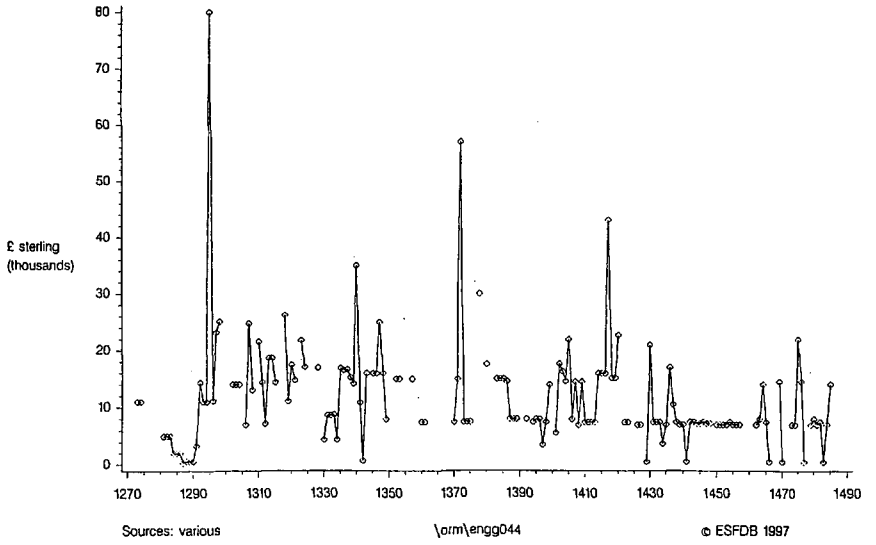

FIG. 1.10 Net revenue from clerical taxes on incomes, 1272–1485

collection of their taxes, the success of the royal Exchequer after the early fourteenth century in requiring diocesan tax officials to account for their contributions effectively instituted a system of compulsion akin to that already operating in the administration of lay taxes.[38] Even more important, however, was the crown's increasing success in manipulating both Convocation and Parliament to ensure positive responses to its requests for finance. While both the laity and the clergy clung to their rights to judge and, in certain circumstances, to reject the king's demands, the very fact that the English crown continued to honour the process of negotiation throughout the later Middle Ages is testimony to the degree of co-operation that it usually found in the authorizing assemblies. The freedom of action on fiscal matters that had been enjoyed by thirteenth-century baronial councils and parliaments was never fully reinstated even in the troubled parliamentary sessions of Richard II, Henry IV or Henry VI.[39]

The development of indirect taxes in medieval England is an even larger subject than direct taxation, though the extraordinarily rich archive arising from the operations of the English customs system has been much more fully

[38] Ormrod (1991), 26–7; Lunt in Morris and Strayer (1947).

[39] There is keen debate over the extent to which a state of 'urgent necessity' obliged the king's subjects to consent to taxation. For the situation in the 13th century: Prestwich (1990), 109–28; for the contrast in the mid-14th century: Harriss (1975), 314–20. Harriss (1982) argues that the notion of necessity, even though defined rather more broadly, lay behind all the parliamentary subsidies of the late 14th and early 15th centuries.

exploited by historians of trade than by those of finance.[40] The absence of sales taxes in medieval England is probably to be accounted for by the relatively low degree of urbanization and industrialization in the period of fiscal experimentation from the late twelfth to the early fourteenth centuries. During this period it was much more profitable, and administratively easier, to exploit the country's overseas trade by levying taxes on goods passing through the ports.[41] King John's administration set important precedents in this respect by collecting a general *ad valorem* duty of 16*d.* in the pound on a wide range of imports and exports. It was not until the reign of Edward I, however, that this potential source of revenue came to be properly appreciated, through a series of duties charged principally on wool exports but also on wine, cloth and other merchandise brought into and taken out of the country. It is important to stress that, although these duties were imposed with the consent of merchant assemblies, they became permanent levies collected by subsequent kings as of right and were considered part of the ordinary revenue of the crown (hence their description as 'customs'). Valuable as they were to the crown, the customs alone could not support a significant explosion of expenditure, and from 1294, and more regularly after 1337, the crown devised a series of extraordinary subsidies on wool exports charged over and above the customs duties.[42] The result, as Figure 1.11 demonstrates, was a massive increase in revenue from indirect taxation. Although Parliament came to have a *de facto* and, after 1362, *de jure* power to sanction the wool subsidy, it did not restrict this levy to periods of warfare and exceptional necessity, as in the case of direct taxes, and granted the subsidy in an unbroken sequence. Indeed, from 1398, and more significantly from 1415, it became common practice to make life grants to the king of this and a further subsidy on wine and merchandise known as tunnage and poundage.[43] Consequently, although the constitutional distinction between customs and subsidies remained, it is much more realistic to treat both as part of the general system of taxation on which the crown came to rely in the later Middle Ages.

There was therefore a complete transformation in the finances of the English state in the thirteenth and fourteenth centuries. Although direct taxation remained linked to emergencies, the sheer scale and frequency of military activity between the 1290s and the 1450s, together with Parliament's grudging accept-

[40] The published data on commodities recorded in the customs accounts is available through the ESFDB: Bonney (1992); ESFDB \orm\engg049.

[41] For what follows: Gras (1918).

[42] For details: Ormrod in Campbell (1991), 167–75; Ormrod (1990), 188–90, 206; Edwards (1979), 19–23.

[43] Edwards (1979), 23–4.

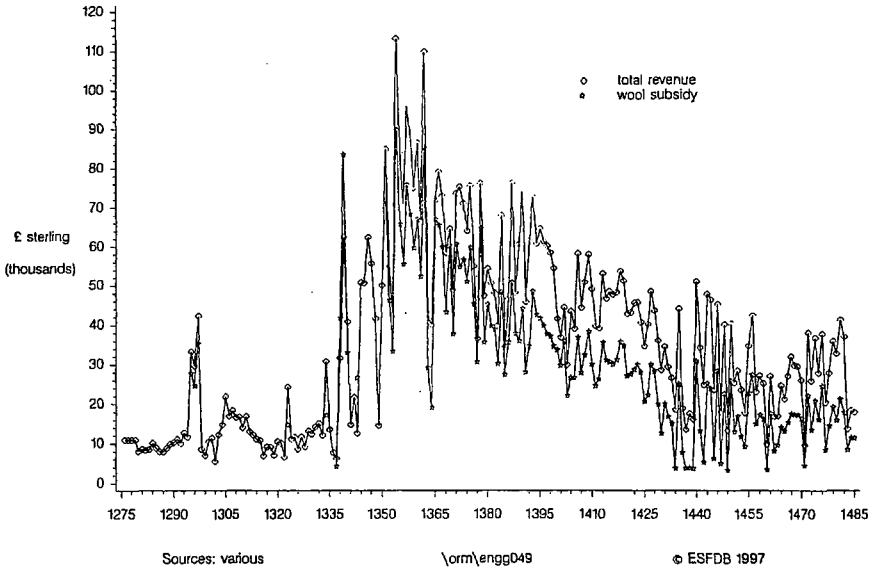

FIG. 1.11 Gross revenue from the customs and subsidies on overseas trade, 1276–1485

ance of the occasional need to assist the crown in non-military and even purely domestic financial crises, tended to disguise the distinction between ordinary and extraordinary revenue and seemed to signify that the crown had finally abandoned its earlier dependence on the domain.[44] Indeed, there are indications that, had Henry V lived longer, the monarchy might have been able to introduce permanent, direct taxation along the lines of the contemporary French kings and thus create a genuine 'tax state'.[45] In the event, the ending of the Hundred Years' War in 1453 exposed the constitutional restrictions on the crown's rights to taxation and forced the Yorkist and early Tudor kings to return to a domain-based financial system. This financial pragmatism provides a salutary reminder of the fact that fiscal systems grew less out of ideology than from need; once the crippling expense of the French wars was removed in the middle of the fifteenth century there were many good financial, as well as political and moral, reasons why the prototype of the 'tax state' should be abandoned in favour of the older domain model.[46]

[44] Harriss (1982); Given-Wilson (1986), 110–41.

[45] Harriss in Harriss (1985), 150–1.

[46] For studies of Yorkist finance: Wolffe (1970); Ross (1974), 371–87; Horrox (1987); Ormrod in Bonney (1995), 149–51.

III

It is extremely difficult to reconstruct the expenditure of the medieval English crown in precise statistical terms, for the records of the Exchequer were primarily concerned with revenue and did not attempt to consolidate or categorize spending in any coherent way. This is reflected in the budgets compiled at periodic intervals in the fourteenth and fifteenth centuries, which always tended to provide a fuller and more accurate breakdown of income than they did of expenditure. Not surprisingly, the statements which survive from the period of the Hundred Years' War demonstrate a very high level of expenditure, mainly on military matters, which is often considerably in excess of the total income declared. But it should not be assumed from this evidence that the crown was permanently in deficit. The 'budgets' themselves were often put together for the specific purpose of encouraging Parliament to vote further supplies and were deliberately weighted in order to emphasize the king's need.[47] Such appeals could have the desired effect: an important study of royal finances during the period of significant military activity from 1369 to 1381 has demonstrated that, in theory at least, the income from the exceptionally high direct and indirect taxes levied in these years was more than sufficient to cover the similarly exceptional expenditure on war.[48] It is not surprising, then, that convocations and parliaments often voiced suspicions about the misappropriation of former levies and demanded guarantees that future taxes should be earmarked only for military purposes. Under exceptional circumstances, this could lead to the appointment of special treasurers of war accountable to Parliament for the expenditure of extraordinary receipts.[49] It did not, however, produce any permanent auditing bodies like the Catalan *generalitat* and therefore failed to create a fully developed notion of public finance and public accountability.[50] Indeed, there remained a profound ignorance of financial realities among the political classes which showed itself for most of the fourteenth and early fifteenth centuries in a stubborn insistence that a programme of economy in the royal household and a general resumption of alienated lands and rights would be quite sufficient to save the crown from any impending crisis.[51]

Within government circles, by contrast, the degree of knowledge and competence was inevitably much greater, at least by the later Middle Ages. In the thirteenth century, no proper mechanism existed for checking the balance be-

[47] Harriss (1975), 466–508; Kirby (1951), 121–51; Griffiths (1981), 107–27.

[48] Sherborne (1977).

[49] Harriss (1966); Given-Wilson (1986), 121–30.

[50] For the *generalitat*: Sanchez Martínez (1986), 130.

[51] Given-Wilson (1986), 110–41; Wolffe in Fryde and Miller (1970); Lander (1989), 11–14. For Parliament's general ignorance of statistics in this period: Coleman in Coleman and John (1976).

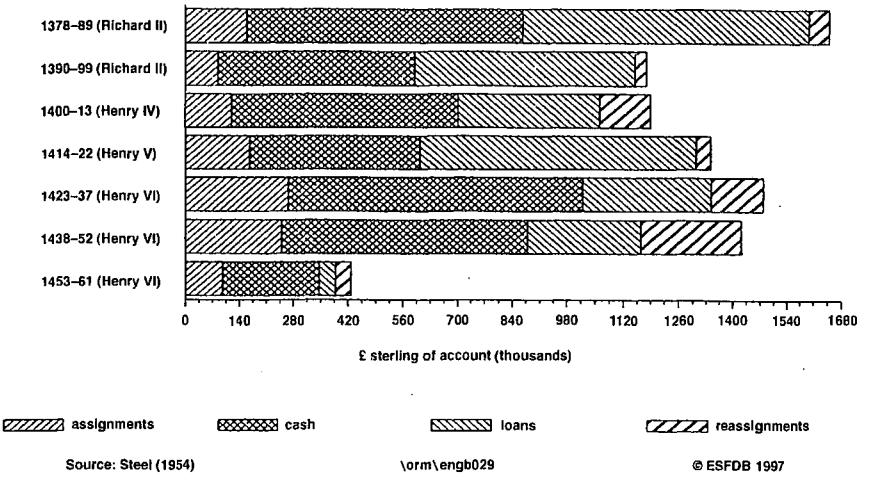

FIG. 1.12 Cash receipts, loans, anticipated revenues and unsatisfied assignments accounted for by the Exchequer, 1378–1461

tween income and expenditure, but by the middle of Edward III's reign the Exchequer had created structures not only to monitor the expenditure of the previously autonomous royal household but also to manage the already widespread practice of anticipating revenue by assigning it at source.[52] The most accurate method of quantifying the crown's success in balancing income against expenditure and thus creating financial and political stability is therefore to be found in the relationship between revenues received in cash and those anticipated by assignment.[53] The English Exchequer records allow for a further refinement by distinguishing between first-time assignments and rescheduled promises issued when the original assignment failed to mature. A low level of cash receipts and a high rate of rescheduling did not always denote a financial crisis, but the long-term shifts in the balance between cash and book-keeping transactions do tell us much about the relative security of royal finances in the later fourteenth and fifteenth centuries. Figure 1.12 suggests that, faced with dwindling revenues from taxation, the late medieval English state could only keep afloat by mortgaging an increasingly large proportion of its future revenues.[54] Above all, it shows how insecure those anticipated revenues became in

[52] Ormrod (1987, 1991).

[53] This is the methodology adopted by Harriss in Harriss (1985), 160–4. Both Harriss and the present author draw on the statistics compiled by Steel (1954). The conclusions drawn by Steel from that data have, however, been modified in subsequent research: Harriss (1956).

[54] ESFDB \orm\engb029.

the fifteenth century and how much political pressure royal creditors were able to bring to bear in order to secure reassignments of unsatisfied payments. It is somewhat ironic that the increase in rescheduling of royal debts under Henry VI arose not solely from a shortage of cash but from a desire to emulate the policies of Henry V, who had equated good kingship with sound financial management: in a sense, the increase in reassignments was a mark of the administrative integrity, rather than the financial disorder, that prevailed in the mid-fifteenth century Exchequer.[55] To emphasize this point it may be helpful to examine two of the most important areas of royal spending in the later Middle Ages—the repayment of loans and the expenditure on war—and demonstrate how the political and financial implications of the royal debt changed from the time of Edward I to that of Henry VI.

Down to *c.*1340 the English crown depended for most of its credit on large-scale loans provided by a series of Italian merchant banks.[56] Although these loans were supposedly guaranteed against, and repaid from, the profits of indirect (and more occasionally of direct) taxation, the scale of royal borrowing was often out of all proportion to the real value of the taxes, and the crown's refusal to keep faith with its foreign creditors contributed to the collapse of several of the Italian firms.[57] When these sources dried up in the middle of the fourteenth century, the crown came to rely heavily on loans provided by English prelates, magnates and merchants.[58] The Exchequer was quick to realize that members of the domestic political elite could not be treated in the same arbitrary fashion and that the value of loans would therefore have to match the sources of income against which they were guaranteed. Coinciding as it did with a significant increase in revenue from the customs and subsidies on overseas trade and with the fixing of assessments for direct subsidies at known, stable levels, this move towards the more scrupulous treatment of royal creditors seemed both popular and feasible (Figure 1.13).[59] By the same token, however, the decline in tax revenues during the second quarter of the fifteenth century created a serious financial, and therefore political, challenge: it is no coincidence that Henry VI finally fell from power at just the point when the merchants of London, individually and corporately, withdrew the financial services that had previously helped to sustain the Lancastrian regime.[60]

The increasing importance attached to the crown's creditworthiness in the

[55] Harriss (1988); Harriss in Rowe (1986). [56] Prestwich (1979).

[57] Kaeuper (1973), 209–20. The extent of Edward III's responsibility for the collapse of his Italian creditors in the 1340s has been questioned by Hunt (1990).

[58] Ormrod (1990), 183–6; Steel (1954), 465–74.

[59] ESFDB \orm\enggo50. For further discussion and bibliography see Ormrod in Bonney (1995), 145–6.

[60] Barron in Highfield and Jeffs (1981).

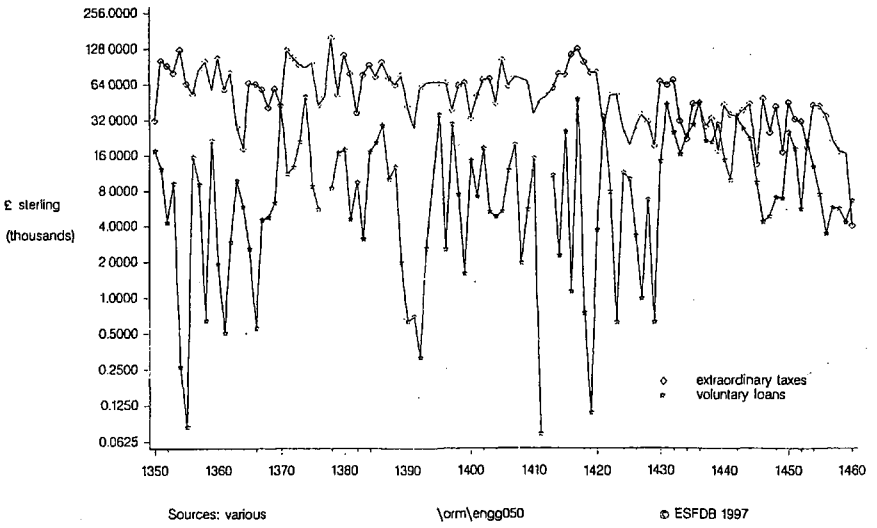

FIG. 1.13 The credit structure: extraordinary taxes as security for voluntary loans to the crown, 1350–1460

later Middle Ages is also reflected in the debate over military expenditure. It was commonplace throughout the period for kings to spend beyond their means: Edward I's debts, arising mostly from his engagements in Wales, Scotland and France, stood at £200,000 by 1307; and, in 1339, the debts accumulated by Edward III in the diplomatic and military preparations for his war with France were estimated at a crippling £300,000.[61] However, the nature and the implications of such debts changed considerably in the course of the fourteenth century. Until the 1340s, the crown managed most military expenditure directly via the financial offices of the royal household; wages (which were normally the biggest burden on the war budget) were calculated individually and paid off in piecemeal fashion, sometimes over an extended period of time. From the middle of the century, however, the organization of royal armies passed under the control of the aristocracy, who expected reimbursement from the Exchequer for all their costs. As a result of this move from direct to contract management, royal expenditure on war came to be organized into fewer, larger block payments; and in the event of a cash shortage, it was the nobility who were forced to carry a significant burden of the royal debt.[62] So long as war was perceived as a profit-making exercise and the long-term management of royal finance was seen to be reasonably efficient, such debts did not pose a political problem. But in the event

[61] Prestwich (1973), 4–5; Fryde in Fryde and Miller (1970), i, 259.

[62] Prince (1944).

of military retreats abroad and financial problems at home, the implications could be much more ominous.[63] The royal debts of £168,000 reported to Parliament in 1433, and the debts and current charges of £372,000 announced in 1450, were therefore infinitely more serious than those of Edward I or Edward III for the simple reason that the crown no longer had the freedom to renegue on its commitments and was coming more and more to be judged on its ability to create and enforce sound financial management.[64] In this limited sense at least, it can be said that an informal system of public finance had indeed begun to operate in England before the end of the Middle Ages.

IV

As has been shown, the switch from a domain-based fiscal system in the twelfth century to a tax-based one in the fourteenth reflected the monarchy's perception of the gradual shift in the nature and the exploitable resources of the English economy. From the middle of the fourteenth century, however, the structure of royal finance altered very little, and the tax system therefore failed to reflect the very dramatic changes that came about in the agricultural and urban economies and in the social and geographical distribution of wealth during the century and a half following the Black Death. The explanation for this failure is probably a political one: the devolution of financial and political control to Parliament and the increasing tendency to delegate governmental authority to the localities during the fourteenth century created an entrenched political elite whose interests were best preserved by the maintenance of the status quo.[65] This trend certainly had important consequences for taxation. After 1332, the crown carried out no further assessments of movable property, and the long series of lay subsidies collected for the rest of the fourteenth and fifteenth centuries were all based on fixed quotas set in 1334. Similarly, no new valuation of the English Church was carried out between 1291 and the early sixteenth century. The ossification of the tax system during the later fourteenth and fifteenth centuries inevitably meant that the relationship between royal income and the tax base became increasingly tenuous.

In fact, it took a remarkably long time before such defects really became evident. Indeed, in the short term the crown actually benefited appreciably from the preservation of the pre-plague tax system.[66] Furthermore, the financial problems of Henry VI's regime owed just as much to a fall in the frequency of direct

[63] Walker (1990), 58–63; Pollard (1983), 108–12; Johnson (1988), 28–77.
[64] Griffiths (1981), 377 and n. 12; Harriss in Harriss (1985), 15–16.
[65] Kaeuper (1988), 290–4; Lander (1989), 7–9.
[66] Ormrod in Ormrod (1986); Gillingham (1987), 61–4; Harriss (1993), 40–2.

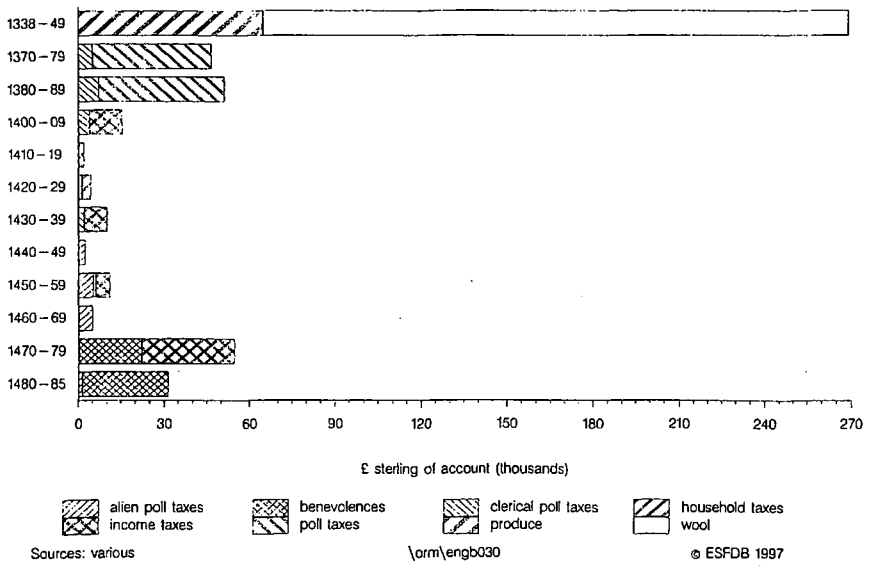

FIG. 1.14 Net receipts from experimental direct taxes on the laity and from clerical poll taxes, 1338–1485

taxes, and to a drop in the rate of the wool subsidy, as they did to any profound structural problems in the actual administration of taxation.[67] At the same time, however, the political and social tensions that arose in the late fourteenth century from the increasing anomalies and inequalities in the burden of taxation signally failed to produce any viable alternative, or even supplementary, tax schemes. It is noticeable that by far the most successful experiments in direct taxation were imposed *before* the Black Death in the form of subsidies levied not in coin but in wool and agricultural produce (Figure 1.14); that all but one of these taxes were themselves levied on the basis of the valuations of movable property says much for the confidence, and dependence, of both crown and community on the latter system.[68] The later attempts to impose standard assessments first on communities (in the parish tax of 1371) and then on individuals (in the poll taxes of 1377–81) were discredited after the Peasants' Revolt of 1381, and It is significant that most of the experiments of the fifteenth century were confined to exceptional income taxes and, under the Yorkists, goodwill gifts or 'benevolences', all of which bore principally, but not usually very heavily, on the

[67] Griffiths (1981), 107–27, 376–401; Harriss (1988), 123.

[68] ESFDB \orm\engb030. The levies of 1338–41 are discussed and converted into cash equivalents by Ormrod in Campbell (1991), 176–81.

richest in society.[69] Rather than running the political and financial risk of a comprehensive reassessment, the clergy also preferred to find *ad hoc* ways of supplementing the dwindling yield from the tenth. But the policy of extending liability to unassessed or exempt benefices, adopted first in 1371 and on a regular basis in the fifteenth century, was only a modest financial success (the results are included in Figure 1.10), while the poll taxes levied on the entire clergy in 1377–81 and subsequently charged on various groups of lower clergy are noteworthy only for their manifest failure to tap what others at least believed to be a huge reservoir of unexploited clerical wealth (Figure 1.14).[70]

The dwindling of royal revenues as a result of an increasingly fossilized tax structure was to be demonstrated still more strikingly by the profits of indirect taxation. During the late fourteenth century, the wool trade went into long-term decline, and an increasing amount of England's principal agricultural commodity was now made up into cloth both for the home and the foreign markets. As a result of the absence of sales taxes, the crown was unable to benefit from the explosion of consumerism that characterized the domestic economy during the late Middle Ages.[71] The imposition on domestic cloth sales devised in 1353 and known as the 'alnage' might have provided an important precedent for the development of excise duties, but it was conceived as a means of quality control rather than of revenue raising and was normally farmed out by the crown for less than £1,000 a year.[72] Meanwhile, although the crown was successful in extending the range of cheaper cloths subject to customs duties, it was unable to increase the very modest rates charged even on top-quality exports.[73] So long as wool remained the most valuable single item in overseas trade, the state could justify its continued dependence on the tax system built up during the first half of the fourteenth century. By the 1420s, however, the value of cloth was coming to vie with, and even exceed, that of wool (Figure 1.15).[74] When the first Parliament of Henry VI decided to make a substantial reduction in the rate of the wool subsidy in 1422, no attempt was made to compensate for this with a concomitant increase in the duties on cloth. Indeed, the decision by the same assembly to free native merchants from payment of tunnage and poundage (to which cloth had previously been liable) actually had the effect of reducing the already fairly modest income from the taxation of cloth.[75] The precise arguments used to

[69] Thomson (1983), 261–2.

[70] ESFDB \orm\engbo30. Aston in Dobson (1984).

[71] Dyer (1989), 49–85, 151–87, 196–210.

[72] Lipson (1959), 461–6. In 1433 the alnage was said to yield £721 gross per annum: Kirby (1951), 132.

[73] Gray (1924), 27.

[74] ESFDB \orm\enggo18.

[75] Despite much confusion among historians, the fact that native merchants paid poundage on cloth up to the reign of Henry VI was clearly established by Gras (1918), 82–3. On the important question of the liability of Hanseatic merchants trading out of England: Lloyd (1991), 34–5, 51–74, 130–1.

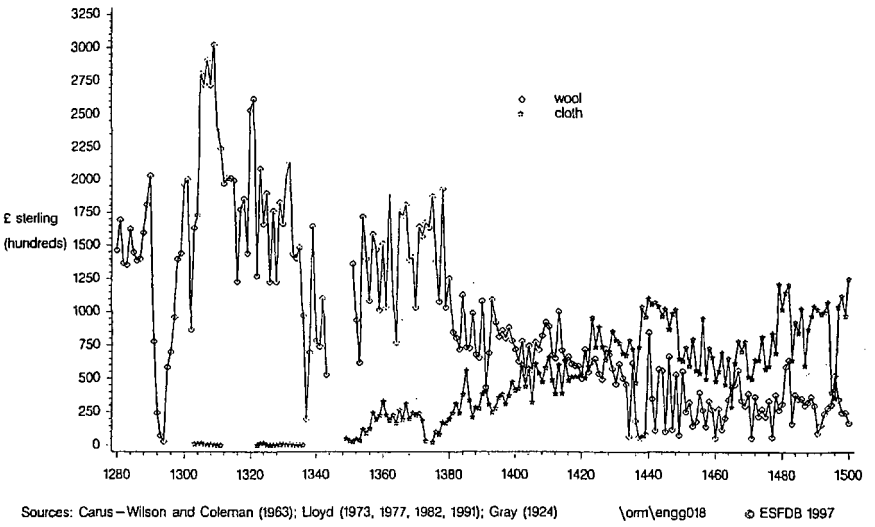

FIG. 1.15 The relative value of English wool and cloth exports, 1280–1500 (expressed in domestic market prices)

defeat royal initiatives for reform of the customs system are uncertain, but there can be little doubt that they were devised and articulated principally by the native mercantile community which was so powerfully represented in the parliamentary commons and whose goodwill was so crucial to the smooth running of the royal credit system. The upshot, as a comparison of Figures 1.11 and 1.15 makes clear, was an ever-widening gap between the value of overseas trade and the royal income derived from it. This, when coupled with the inadequacy of the attempts to reform direct taxation, acted as perhaps the greatest check on the freedom, and the wealth, not only of the notoriously inept Henry VI but also the supposedly innovative Edward IV, Richard III and Henry VII.[76]

V

The standardization of the English fiscal system in the fourteenth and fifteenth centuries raises many intriguing questions about the real incidence of royal taxation. This issue can be approached from a number of different perspectives. To begin with, it is important to ascertain the relative burden of direct and indirect taxation. Figure 1.16 demonstrates the marked shift that occurred away from dependence on direct subsidies under Edward I and Edward II to the more-or-less constant primacy achieved by indirect taxation during the second half of

[76] For the continued failure of tax experiments prior to the reign of Henry VIII: Goodman (1988), 22–3.

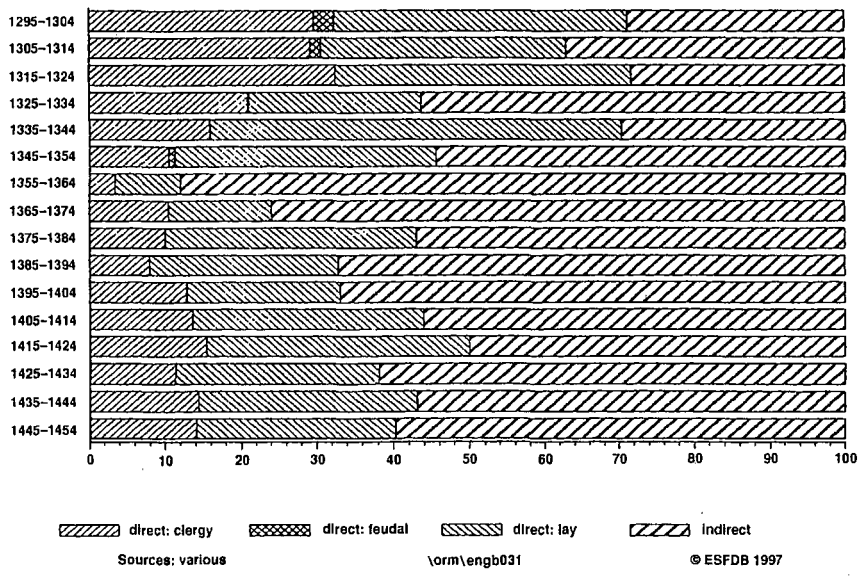

FIG. 1.16 The relative income from direct and indirect taxation in England, 1295–1454

the fourteenth and first half of the fifteenth centuries.[77] This striking dependence on the taxation of overseas trade was highly unusual in later medieval Europe, particularly since the bulk of such revenue was derived not from imports but from exports. It is still not entirely clear whether the principal burden of the wool tax was borne by the producers (in the form of lower prices on the domestic market) or the customers (through higher prices on the foreign market), but it is undeniable that the long-term decline both in English exports of wool and in domestic wool prices during the later Middle Ages was linked to the very heavy export duties, which represented an *ad valorem* tax of anything up to 33 per cent.[78] In this sense, then, as the parliaments of Edward I and Edward III were quick to point out, the taxation of England's most important domestic product must have affected the whole internal economy.[79] On the other hand, the later fourteenth-century shift towards the production and export of woollen cloth, which was taxed at a much lighter rate (representing somewhere between 2 and 6 per cent of the domestic market value), meant that an increasing proportion of the gross domestic product fell outside the range of the tax system

[77] ESFDB \orm\engb031. This substantiates the rough figures worked out by Harriss (1993), 40.
[78] Lloyd (1973).
[79] Miller in Winter (1975), 13–14.

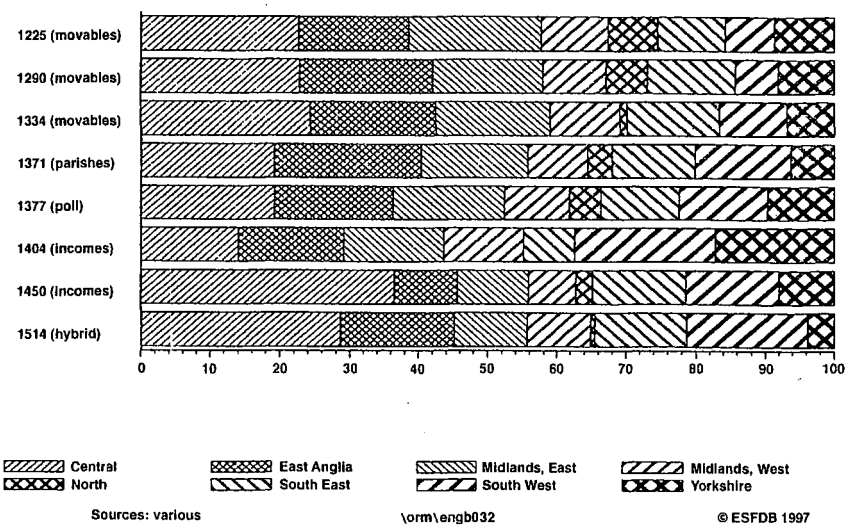

FIG. 1.17 The regional distribution of direct taxes on the laity, 1225–1514

and resulted in a real and permanent reduction in the overall tax burden during the fifteenth century.[80]

In assessing the impact of direct taxation, it is natural to begin by analysing its geographical distribution. Medieval England was characterized by an absence of immunities: only in the two palatine counties of Chester and Durham were the laity formally exempt from direct taxation, and even here the crown found alternative methods of extracting financial contributions.[81] Figure 1.17 represents the percentage contributions made by various regions of the country to a series of lay subsidies imposed between the thirteenth and the early sixteenth centuries.[82] Given that the base for these taxes varied widely (including both 'real' assessments of wealth and more arbitrary impositions on communities and individuals), the relative stability of the figures is remarkable. After the thirteenth century, however, it can be seen that there was a definite, if erratic, move

[80] Carus-Wilson and Coleman (1963), 22–3, 194–5; Gillingham (1987), 62–3; Ormrod in Curry and Hughes (1994), 93–4.

[81] Booth (1981), 116–26; Ormrod (1990), 128.

[82] ESFDB \orm\engb032. The regions comprise the following counties: Central: Bedfordshire, Berkshire, Buckinghamshire, Hertfordshire, London, Middlesex; East Anglia: Cambridgeshire, Essex, Huntingdonshire, Norfolk, Suffolk; Midlands, East: Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire, Rutland; Midlands, West: Gloucestershire (including Bristol), Herefordshire, Shropshire, Staffordshire, Warwickshire, Worcestershire; North: Cumberland, Lancashire, Northumberland, Westmoreland; South East: Hampshire and Isle of Wight, Kent, Surrey, Sussex; South West: Cornwall, Devon, Dorset, Somerset, Wiltshire; Yorkshire: Yorkshire.

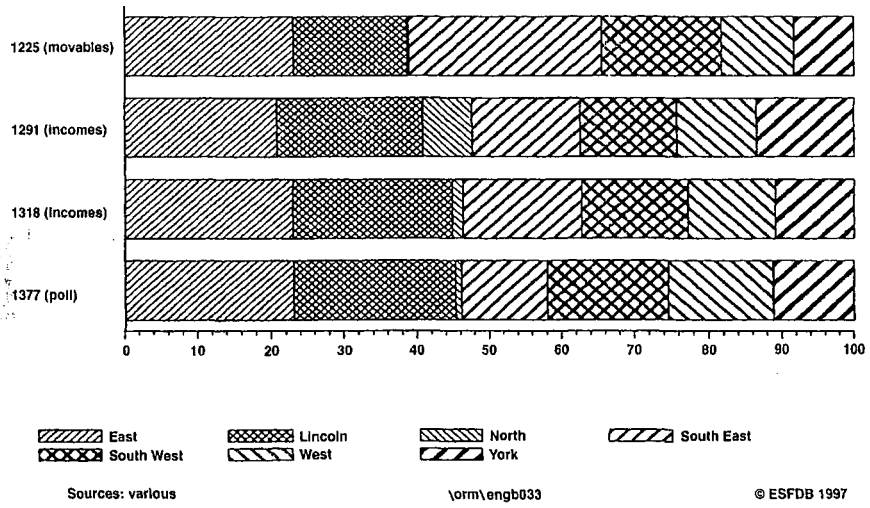

FIG. 1.18 The regional distribution of direct taxes on the clergy, 1225–1377

away from the direct taxation of the North: in particular, the quotas fixed in 1334 had the effect of shifting the relative tax burden permanently towards central and southern England. This tendency was still more marked in ecclesiastical taxation (Figure 1.18), and reflected the particular problems experienced in the North during the devastating Scottish raids of the fourteenth century and the general economic dislocation following the Black Death.[83] It must be emphasized, however, that the shift was relative rather than real: the further reductions offered to the clergy and the laity in the impoverished areas after 1318 and 1334 were not accompanied by absolute increases in the rates fixed for more prosperous regions. Consequently, the redistribution of wealth away from the North and the Midlands and towards the South, and from rural to urban areas, which is now seen as a principal feature of the fifteenth-century economy, remained more-or-less undetected by the crown's financial machine until the regime of Henry VIII finally carried through a number of new valuations of the tax base in the early sixteenth century.[84]

[83] ESFDB \orm\engb033. It is not possible to arrange the dioceses into a regional pattern exactly matching that used for lay taxation in Fig. 1.17. The regions in Fig. 1.18 comprise the following dioceses: East: Ely, London, Norwich; Lincoln: Lincoln; North: Carlisle, Durham; South East: Canterbury, Chichester, Rochester, Winchester; South West: Bath and Wells, Exeter, Salisbury; West: Coventry and Lichfield, Hereford, Worcester; York: York.

[84] Schofield (1965); Reynolds (1977), 140–59.

These discrepancies in the regional distribution of taxation were further magnified at the level of the town or village. There are special reasons for thinking that urban areas were consistently underassessed for direct taxation even in the late thirteenth and early fourteenth centuries; and for every genuine case of poverty brought before the crown by towns in the Midlands and the North during the fifteenth century there was another urban community in the South East or South West capitalizing on the artificially low level of its quota.[85] In the countryside, the contrasts were still more striking. In the first half of the fourteenth century, it was possible for two villages of similar size and wealth to experience radically different levels of taxation, not only because of the inconsistent way in which local assessors estimated liability for taxes on movable property but also, more importantly, because of the random methods and very localized activities employed by crown agents commissioned to raise men, arms and victuals for royal armies.[86] Furthermore, the fixed quotas for direct taxes imposed on communities after 1334 ceased to bear any relationship to demographic or economic reality after the Black Death. Although many depopulated communities secured partial or complete remissions from direct taxation from the 1350s onwards, the first properly co-ordinated efforts to redistribute the quotas according to current circumstance only began in 1433 and were administered in so arbitrary a fashion that they did comparatively little to redress the more obvious imbalances between individual communities in different regions.[87]

To understand why parliaments, convocations, and the taxpaying population were all prepared to accept such gross inequalities and seek actively to perpetuate the structure of direct taxation, it is finally necessary to make at least some qualitative comments about the burden of taxation on the individual. In social as in geographical terms, general exemptions from taxation were remarkably rare in medieval England. The upper clergy and the nobility were all liable for direct taxation, with religious houses and other principal ecclesiastical landholders having to contribute to lay, as well as to clerical, levies.[88] On the other hand, the realities of politics and government ensured that members of the secular aristocracy at least were rarely troubled by their tax bills. The use of movable property to provide a valuation for direct lay subsidies probably made good sense in the thirteenth century when landholders were managing a large

[85] Dobson in Holt and Rosser (1990); Hadwin (1983), 204, 210–13; Rigby (1990). All the standpoints adopted in these articles are subject to much debate.

[86] Maddicott in Aston (1987).

[87] Bridbury (1975), 96–7.

[88] Denton (1980), 297–301.

proportion of their estates directly and were likely to hold significant amounts of the livestock and grain that were the basis of such valuations.[89] From the fourteenth century, however, an increasing proportion of aristocratic estates began to be leased out, so that the bulk of taxable assets tended to be held by the peasantry.

This shift of the tax burden to the lower levels of society was greatly accelerated by the decision taken in 1334 to abandon the one general exemption previously observed in the administration of lay subsidies, namely the immunity of the very large number of householders (possibly over 50 per cent of those assessed) whose movable property was valued below an agreed level (usually 10*s*.). This had the effect of immediately transferring a larger proportion of the total tax burden onto the lesser peasantry.[90] It is also possible that the gentry and peasant elites who controlled the administration of lay taxes deliberately broadened the social base of taxation after the Black Death not only to compensate for the drop in the population but also to relieve the burden on hard-pressed landholders and capitalize on the perceived and much-resented improvement in the economic standing of agricultural labourers.[91] However, it must be stressed that the dramatic protests over regressive taxation in the Peasants' Revolt of 1381 were directed not against the subsidies on movable property but the more controversial and much more obviously inequitable poll taxes, and it is somewhat ironic that the absence of any further significant tax revolts before the end of the fifteenth century owed much to the revival and perpetuation of the already antiquated 1334 quotas.[92] The fact that these now proved generally acceptable is to be explained not merely by the general reduction in the overall burden of direct taxation after the 1380s and the marked rise in the disposable income of many of the peasantry during the fifteenth century, but also by the fact that at least some communities moved away from the assessment of movable property and distributed the burden of taxation as best suited local circumstance. Indeed, far from inciting class conflict, the administration of the late medieval lay subsidies seems often to have provoked active concern for the relief of the poor and to have been characterized by a high degree of communal co-operation.[93] Taxation, if not to be welcomed in itself, had clearly become an inescapable public obligation.

[89] This point should not be exaggerated. The taxable minimum was a good deal lower in the mid-13th than in the early 14th century, and it has been calculated that between two-thirds and three-quarters of assessed movables in the 1225 lay subsidy were in fact held by the peasantry: Cazel and Cazel (1983), x.

[90] Maddicott in Aston (1987), 290–9, 329–37; Ormrod in Campbell (1991), 156–7.

[91] Fryde (1983), ch. 1, 844–8; Hilton (1990), 62–5.

[92] Tuck in Hilton and Aston (1984), 203–5; Fryde and Fryde in Miller (1991).

[93] Schofield (1963), 85–95, 99–100.

In evaluating the development of the fiscal state in Europe, the example of medieval England may be said to provide three important general themes which will recur in many of the ensuing medieval and early modern case studies. Firstly, even very early monarchical states could create highly sophisticated and productive systems for raising revenue which not only reflected the political authority of the king but also tapped some of the most important sources of wealth in the society and economy over which he ruled. Secondly, there was a strong tendency for precocious and successful tax systems to become ossified and increasingly to serve the interests not of the state but of its more powerful subjects. Thirdly, the medieval idea that a ruler had a right to dispose of his resources as he willed continued even after the shift away from the exploitation of prerogatives to the negotiation of taxes, thus slowing down the emergence of a genuine system of public finance based on a declared budget, a permanent mechanism allowing for public accountability and, perhaps above all, the establishment of a public debt. The absence of these principles and practices from English medieval state finance do not prevent us from identifying England as one of the most sophisticated and successful fiscal regimes known in Europe between the late twelfth and the early fifteenth centuries. But the failure of the Yorkist and early Tudor monarchs to effect a fiscal revolution on anything like the same scale as that mounted between the late thirteenth and mid-fourteenth centuries inevitably raises serious questions about the success of their much-vaunted reforms in the central financial administration. To return to the exploitation of land and prerogative rights was an interesting and not altogether unsuccessful experiment in the re-establishment of royal authority; but it was the older medieval precedents for general taxation, together with the principles of consent underpinning them, that were to provide the only effective and lasting answer to the growing challenge of financing the state in early modern England.

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CHAPTER 2

England, 1485–1815

Patrick K. O'Brien and Philip A. Hunt

In early modern Europe, states survived if they possessed sufficient and continuous command over the financial means necessary to defend their territories and citizens against external aggression and to meet internal challenges to their authority. To become more powerful in a universe of contending states and to validate their claims to regulate the presumed autonomy of families, corporations and institutions nominally under their jurisdiction, royal governments required ever-increasing amounts of revenue. Thus a successful state can be recognized not merely by its continuity but because it mobilized the resources required for effective action in international relations as well as the force needed to meet domestic challenges to its sovereignty.[1] Historians have recognized the obvious relationship between the power of states and the fiscal means at their disposal but they are also aware that the connections were never unitary or simple.[2] For example, a 10 per cent increment in revenues rarely implied a proportionate increase in the state's capacity for effective action. Generals and admirals notoriously squandered military resources placed at their disposal. Diplomacy usually proved to be cheaper and sometimes more useful than mobilization for war. Expenditure on bribery, favours, religious persuasion and the propagation of an ideology in support of royal and aristocratic rule cost less than the formal apparatus of coercion and intrusion into private domains, traditionally excluded from governmental control. Compliance with the laws and directives issued by central authorities (for all kinds of reasons unconnected with a state's monopoly of coercion) could be secured more cheaply in some regions and among some sections of the national population than others.[3]

Nevertheless, in the long run, the relationship between fiscal resources and a

[1] Tilly (1990); Ardant (1975); Mann (1986).
[2] Lane (1975), 8–17; Bean (1973), 203–21.
[3] Ardant (1975), 164–242; Braun (1975), 243–327.

capacity for sustained and effective action in the domestic and, above all, in the international spheres prevailed. This is why it is illuminating to establish trends in the real amounts of income available to fund the expenditures of royal governments year after year over some four centuries of English history. Total revenues, properly deflated to take account of changes in the prices of goods and services purchased by governments, provide a useful index for the appreciation of fundamental changes in what was the main *structural* constraint on a state's freedom to initiate and implement foreign and domestic policies. Shorter-term changes in the index ostensibly marking the ups and downs of state power are less useful: the ambiguities connected with these fluctuations are not as serious as the problems that attended the construction of a set of revenue accounts covering the period 1485–1815 which have been described in detail elsewhere.[4] For the present purposes, it seems sufficient to outline briefly the main problems involved in dealing with the intractable and imperfect sets of data available for the tabulation of total revenues for the 175 years from 1485 to 1660.

I

Between 1660 and 1815, both the definition of revenues selected in order to fund the activities of the central government and the data available to measure the total amounts received year after year by the Exchequer in London are more or less clear cut and reasonably accurate.[5] Shortly after the Restoration the state assumed almost complete responsibility for funding expenditures for the defence of the kingdom. Before the death of Charles II, his revenue departments had also taken over control of the assessment and collection of indirect taxes, and the Exchequer in London then received and accounted for up to 90 per cent of the government's gross income including receipts from crown estates and other minor (but non-tax) forms of public revenue.[6] Before 1660, the separation between the expenditures and revenues of central and local government is more complicated, because immeasurable—but not inconsiderable—sums of money were raised and allocated in the cities, boroughs and shires for the kingdom's armed forces.[7] Furthermore, both the assessment and collection of revenues on the one hand and their expenditure on the other was devolved on several courts,

[4] O'Brien and Hunt (1993), 129–76; ESFDB \obrien\engmo01; \engindic\engdo01; \engindic\engdo02; \obrien\engmo09; and \obrien\enggo08.

[5] Chisholm (1868–9); Binney (1958).

[6] Chandaman (1975); Hutton (1989), 154–5, 167–8, 184–5, 195–6, 198–200, 212, 242–66, 283–4, 330; Seaward (1991), 17–22, 81–2, 87–8, 98–100; Fletcher (1986), 360–4, 372–3; Miller (1991), 220–5, 381–3; Jones (1987), 187–90; Western (1972), 82–111; Jones (1986), 45–71; Miller (1989), 121.

[7] Archer (1991), 10, 35; Russell (1973*a*), 175; Fletcher (1975); Smith (1979*a*); Green (1888), 105; Russell (1990), 73.

chambers, duchies and other organs of the state. During this period of 'fiscal pluralism' no single authority exercised overall responsibility for receiving and accounting for the king's revenues.[8] From time to time—usually at moments of financial crisis—a composite set of figures could be drawn up as an approximation to a 'royal budget'.[9] Such accounts are not, however, consistent with the definitions of public revenues employed for the period after the Restoration, when for all practical purposes inflows and outflows of money into and from the Exchequer provided *post hoc* records of the income and expenditures of England's central government.

In order to construct a consistent set of accounts covering the period from 1485 to 1815, the historian is compelled to work with a definition of aggregate revenues that approximates to the post-1660 concept of 'receipts of the Exchequer'. For such purposes the figures for the period 1485–1660 should include all the categories of income contained and tabulated in post-Restoration accounts, which implicitly widens and unwittingly centralizes the notion of the Tudor and Stuart state beyond the realities and perceptions of the day, when 'fiscal pluralism' and delegated responsibilities for the raising and allocation of nominally royal revenues prevailed.[10] A bias towards the revenue side of governmental activity is unavoidable over this extended period, but so too are the problems of dealing with imperfect data, culled in large part from research upon particular reigns, specific categories of revenue or sectors of the administration. The margins of error contained in totals built up from several sources could be sufficiently serious to compromise the aggregated revenues for particular years. Our figures may not be accurate enough to gauge the significance of short-term fiscal crises or to measure the magnitude of sudden upswings in royal expenditures. Presented in the form of nine-year moving averages they should, however, be sufficiently reliable to locate discontinuities in the *real* levels of fiscal resources available to support the activities of the English state between 1485 and 1815 (Figure 2.1).[11]

Cycles and discontinuities emerge clearly on this graph which still require further clarification. The base dataset behind the graph includes annual totals of

[8] Alsop (1986*a*); Hooker (1958), 59–75; Starkey (1973); Starkey (1986), 199–208; Roseveare (1973), 17–74; Bell (1953); Aylmer (1957–8), 81–93; Woodworth (1945), 1–90; Hurstfield (1955–6), 53–61; Somerville (1953); Rowse (1979), 3–12; Richardson (1961).

[9] Richardson (1974); Dietz (1932), 30–85; Williams (1979), 41, on the need for overall budget management in Tudor England.

[10] Elton (1953), 160–239, 415–27; Alsop (1986*b*), 135–62; Collinson (1986–7), 394–424; Thomas (1983), 103–22; Russell (1973*b*), 91–118; Slavin (1990), 151–60; Cogswell (1990), 538–81; Burgess (1990), 609–27.

[11] ESFDB \obrien\enggo09 based on \engdo12. The points plotted on the graph are 9-year moving averages of total (non-borrowed) revenues in constant prices of 1451–75 for every tenth year 1490–1820.

FIG. 2.1 Nine-year moving averages of total revenue (excluding loan income) in England, 1490–1820 (in constant prices of 1451–75)

government revenues expressed in current prices, built up from figures contained in a variety of secondary and some primary sources.[12] Total revenues embody taxes, several categories of crown income, net receipts from the sale of assets and net profits from the royal mint. Aggregated figures were first deflated by a price index constructed to reflect changes in the costs of goods and services purchased by the state.[13] Totals, in constant prices of 1451–75, were then transformed into nine-year moving averages. Deflated aggregate revenues for every tenth year have been presented graphically to expose trends and structural changes in the fiscal capacity of the state through time. Total revenues, as measured here, are not, however, complete because the figures exclude all forms of borrowing by the state. For the period before 1660, it would require a research project to reconstruct the amounts of money loaned to central government.[14] Even the more accessible and complete data available in printed form for the post-Restoration period are not usable because Chisholm's published figures, based on Exchequer records, are a confusing amalgamation of net inflows of borrowed money, amortization of loans and debt conversion operations.[15]

[12] ESFDB \obrien\engmoo1. Details of definitions and difficulties are appended to that dataset, and are discussed in O'Brien and Hunt (1993).

[13] ESFDB \engindic\engdoo1; O'Brien and Hunt (1993).

[14] Harriss (1955–6), 107–99; Richardson (1954–5), 33–48; Outhwaite (1964); Outhwaite (1966), 289–305; Outhwaite (1971), 251–63; Ashton (1960); Habakkuk (1962–3), 70–88; Harper (1927).

[15] Chisholm (1868–9); Schumpeter (1938), 21–37.

Although *net* amounts of money borrowed by the state clearly augmented the government's capacity to spend, particularly in wartime, the amounts raised represented rather modest proportions of tax and other revenues before the rise of the permanent public debt after 1694 and they tended to be amortized quickly, usually over three- to five-year periods. Their omission should not affect the representation of trends for the sixteenth and seventeenth centuries. Even after the 'financial revolution' of 1694–1713, the state's capacity to borrow through the issue of long-term and perpetual annuities rested upon its ability to service a permanent public debt that grew from a nominal capital of around £2 million in the reign of James II to more than £834 million in the reign of George III.[16] Servicing the national debt required the imposition, collection and the reservation for payment of interest of an ever-increasing volume of taxation. England's widely feared military–fiscal power carried the country through eight wars between 1689 and 1815. It allowed the state to raise the bulk of the extra revenues required for the mobilization of troops and sailors in wartime by selling long term and/or irredeemable paper assets and thereafter servicing the debt created through permanently augmented levels of taxation.[17] Thus the index as presented in Figure 2.1 represents structural changes in the fiscal capacity of the state because that capacity encapsulates the taxes available to service long- and short-term public debt.

Despite all the conceptual ambiguities and statistical difficulties involved in using total revenues as an index for effective action, the curve traces a story of the rise of the state that is broadly in accord with the perceptions of modern political histories focused upon particular reigns and sub-periods between 1485 and 1815.[18] For example, no clear and sustainable upswing in fiscal resources occurred until after the Civil War, indeed until after the Glorious Revolution of 1688. Thereafter, the state's revenues and contingent military expenditures increased to reach levels unimagined by Tudor and Stuart monarchs and their financial advisers. In the 1670s, Charles II disposed of 2.7 times as much revenue as his benighted father had managed with such difficulty to collect just a half century earlier. Fifty years later, the revenues of the newly established Hanoverian regime were eight times, and in the 1770s eleven times, greater than those spent by Charles I. After the wars with Napoleon, the British state

[16] *Whole Amount* (1857–8), 165–247; Jones (1988), 70–3; *History of the Earlier Years* (1898), 269–347.

[17] Dickson (1967).

[18] Mann (1980), 165–208; Elton (1953); Elton (1974), 479–81; Guy (1988); Russell (1971), 31–8, 110–11, 242–56, 271–7, 317–22, 394–5; Russell (1974), 20–9, 55–61, 73; Daniels and Morrill (1988), 73–83; Jones (1986); Western (1972); Seaward (1991), 17–22, 81–8, 98–100; Miller (1991), 220–5, 381–3; Jones (1987), 187–90; Ogg (1961), 329; Dickson and Sperling (1970), 284–94; Henshall (1992), 112–14; O'Brien (1988), 1–32; O'Brien ([1991]); Brewer (1989).

commanded thirty-six times as much revenue as that fiscally embarrassed and unfortunate Stuart monarch had garnered some two centuries earlier.[19]

II

There is no mistaking the discontinuity that occurred across the late seventeenth and early eighteenth centuries. Furthermore, it is also apparent from our data, combined with that of Professor W. M. Ormrod, that for roughly three centuries down to the Civil War English monarchs and their financial advisers struggled (and more often than not failed) to appropriate in real terms the levels of taxation collected by their predecessors in the 1340s.[20] Long cycles in fiscal capacity from the fourteenth to the early nineteenth centuries can be represented in terms of a downswing (from the 1340s to the 1460s), a cyclical recovery in royal revenues under Edward IV and Henry VII, followed by long-term stagnation from around 1500 through to the Interregnum, after which taxes began to grow exponentially to a peak in the 1820s. Within this extended period, 'episodes' of success certainly occurred when central governments managed to expropriate extraordinary amounts of revenue, usually for the defence of the realm and to buttress the regime in power against foreign enemies or internal rebellion. One cycle, which shows up clearly in Figure 2.1, occurred in the reigns of Henry VIII and his son Edward VI: their 'privatization' of ecclesiastical property and debasement of the currency pushed revenues and expenditures way above the level normally sustainable on the basis of taxation and profits from crown estates and other royal property.[21] Nevertheless, in the long run, political, administrative and economic constraints on the power of the state to increase its revenues could not be solved by predatory raids on the Church, still less on the private wealth of magnates, landowners and merchants. Debasing the value of the kingdom's coinage was no solution either, except on a temporary basis.[22]

Given that monarchs and their advisers probably devoted more time, thought and energy to fiscal policy than to any other aspect of royal governance, the large structural question behind the eventual rise of the English fiscal state is why did it take so long to rise? Why did the will of kings and the fiscal policies devised by their ministers and servants fail to raise *real* levels of royal revenues for more than three centuries of English history? Answers to counterfactual questions in fiscal history may be sought either in the realm of politics and

[19] ESFDB \obrien\engm001.

[20] Ch 1 above: we are grateful to Prof. Ormrod for permission to use an earlier draft of his chapter; ESFDB \obrien\engm009.

[21] Elton (1953, 1974); Alsop (1986*a*); Coleman (1986), 163–98; Starkey (1986), 199–208.

[22] Challis (1978); Gould (1970); Oman (1895), 167–88; Scarisbrick (1968), 453–7.

central administration or by considering the nature and extent of the evolving fiscal base potentially available for taxation by the state (or in a combination of both). In general terms, taxes can be more easily selected, assessed and collected at higher levels of income, production and trade, than they could possibly be in partially monetized, subsistence economies at lower levels of development. Over any period of history the central government's capacity to tax will be constrained by the nature of the economy it presides over and the wealth of the citizens it governs.[23]

Without detailed investigation into the economic history of Tudor and Stuart England sector by sector, industry by industry, market by market, income class by income class, it is impossible to specify, let alone to estimate a potential for taxation left unrealized by the authorities charged with the task of increasing royal revenues. Certainly a long list of fiscal advisers to monarchs from Henry VII to Charles II proclaimed and acted on the perception that the Tudor and Stuart kingdoms were grossly undertaxed. Before successive parliaments the king's ministers and supporters of the court lectured members of both Houses on the lightness of their tax burdens and reminded them of their responsibilities to support the dignity and purposes of their sovereigns.[24] Parliamentary debates over supply (and Tudor and Stuart parliaments discussed little else) were characterized by ritualistic discourse with members invariably protesting that times were hard and their burdens already onerous, while the king's ministers maintained that the economy and the taxpaying public could easily afford to meet modest and necessary royal demands for more supplies.[25] From time to time some quantitative evidence was adduced to support rhetorical propositions that the tax base was, according to the assertions of one side, expanding and, according to those of the other, contracting. This evidence has been rightly treated with a great deal of scepticism by historians, who demand more objective data about the underlying state of the economy and the incomes of English taxpayers.[26]

The course of economic change for some two centuries after the accession of Henry VII never proceeded smoothly. Royal demands for cash could certainly coincide with one or other of those cycles, short-term crises or fluctuations in foreign trade and harvests that marked the development of the English

[23] Levy (1988); Hinrichs (1966).

[24] Dietz (1964), xxii, xxvii, xxx, 93–4, 97, 108; Dietz (1932), 22–4, 44, 70–2, 127, 133–40, 227; Hume (1763), vii, 363; Cooper (1970), 544–5; Daniels and Morrill (1988); Sharpe (1992), 9; Popofsky (1990), 44–75; Lindquist (1985), 617–51; Henshall (1992), 112–14; Watson (1960), 126.

[25] Dietz (1932), vii, 187–8; Thomas (1983), 103–22; Smith (1979*a*); Elton (1986); Ewes (1973), 483–500, 633.

[26] Rogers (1856–1902), v, 151; Foster (1966*a*), xv–xxi; Foster (1966*b*), 239, 290–1; Scott (1902), 104–5; Dietz (1964), 148; Dietz (1932), 71.

economy. But since there is nothing among the limited statistical sources we possess for population growth, urbanization and exports to suggest secular decline (and modern texts on the Tudor and Stuart economic history are written in terms of modest rates of progress) the presumption must be that—since the total revenue curve remained roughly flat decade after decade until the late seventeenth century (Figure 2.1)—the state appropriated and spent a declining share of the nation's income.[27] This inference will probably not be resisted by historians who have researched the financial difficulties experienced by Tudor and Stuart monarchs. It can, moreover, be reinforced by comparisons of the ratio of state revenues to 'conjectures' for national income before and after the 1690s. Details of how those conjectures were constructed are discussed elsewhere.[28] Here it is sufficient to point to the pronounced discontinuity in the ratios of total revenue to national income for years of peace around the turn of the eighteenth century. For some 200 years before the 1690s, the proportion appropriated as revenue probably fluctuated within a range of between 2 and 3 per cent of the nation's income. Over three decades, the 1690s, 1700s, 1710s, the ratio first doubled and then trebled. If these conjectural figures for national income are usable, they imply either that the underlying base for taxation expanded autonomously and dramatically during these decades of discontinuity (which seems improbable over such a relatively short period of time dominated by warfare); or that, in the wake of the Glorious Revolution of 1688, the state suddenly realized its latent potential for taxation and appropriated far higher shares of national income than its predecessors had managed for more than two centuries before England secured the services of a Dutch monarch.[29] Although the statistical foundations of the argument are not entirely secure, the pronounced discontinuities of the late seventeenth century in both the real amounts of revenue collected and in the share of national income taxed (and borrowed) by the state do point to a political and administrative revolution in fiscal policy disconnected from any profound or abrupt changes in the evolving base for taxation.

One argument (expressed reign after reign by parliamentarians who resisted royal requests for more revenue) was that the monarch should 'live of his own'. If this argument implied that Tudor and Stuart kings possessed enough personal property or wealth to fund the central government, the response was anachronistic long before Henry VII's accession in 1485 and became steadily more unreal thereafter. For most decades of the sixteenth century, royal estates and other minor forms of crown property funded around 35 per cent of total expenditure but this proportion began to decline in the seventeenth century and was down

[27] Clay (1984); Coleman (1977).

[28] O'Brien and Hunt (1993), 129–76; ESFDB \obrien\engmo01.

[29] Jones (1988), 1–126.

to less than 5 per cent by the early 1700s.[30] Had the imperative to spend on warfare not been so strong under Henry VIII, that king might have added the ecclesiastical lands and other wealth appropriated in the 1540s permanently to the crown's estates and thereby reduced the Tudor state's dependence on taxation to more manageable proportions. But an expensive war with France and Scotland compelled him to dispose of church property quickly and cheaply.[31] Thereafter, the contribution of the crown estate diminished to insignificance as royal assets were sold off, often at bargain prices in wartime.[32]

To an increasing degree, taxation supported the Tudor, Stuart and Hanoverian state. Furthermore, it was commodity and other indirect forms of taxation that made the greatest contribution towards funding the dramatic rise in military expenditure that occurred between 1689 and 1815. Before that era, the persistence of a political preoccupation with direct forms of taxation levied upon the incomes and wealth of the king's subjects operated to retard the emergence of a strong fiscal state in England until after the Glorious Revolution. Structural shifts in the relative significance of these two broad categories of revenue can be appreciated with reference to the chart which exhibits ratios of direct to total taxes reign by reign (Figure 2.2), and these may be compared with the data presented by Ormrod in Chapter 1. For long stretches of the sixteenth century, the Tudor regime's dependence upon levies on income and wealth was on the increase, and the percentage was approximately 60 per cent until the reign of James I. Thereafter, and with the conspicuous exception of an interlude of rigorous recourse to direct taxation under the Commonwealth, the trend towards an ever-greater degree of reliance on tariffs, excise and stamp duties assessed upon goods and services sold within the kingdom becomes more and more discernible. By the reign of George III, about 80 per cent of tax revenues arriving at the Exchequer in London derived from indirect taxes. Indirect taxation underpinned the rise of the fiscal state from 1688 to 1815 and provided the great bulk of the extra revenue required to service the extraordinary growth of the permanent public debt, which increased from next to nothing in 1688 to a nominal capital value which amounted to more than double the nation's total income for 1815.[33]

[30] For totals of crown income: ESFDB \obrien\engm001. For discussion of the crown estates, and crown property income: Outhwaite (1964); Wolffe (1954, 1964, 1970, 1971); Batho (1967), 256–76; Somerville (1953); Rowse (1979), 3–12; Scott (1910–12), iii, 501–4, for plunder, piracy and privateering receipts.

[31] Richardson (1961); Erickson (1980); Jordan (1986, 1970); Hoskins (1976); Scarisbrick (1968), 241–354.

[32] Madge (1938); Habakkuk (1962–3), 70–88; Hardacre (1956).

[33] ESFDB \obrien\engb004 based on \engd013. Brewer (1989); O'Brien (1988), 1–32; O'Brien ([1991]).

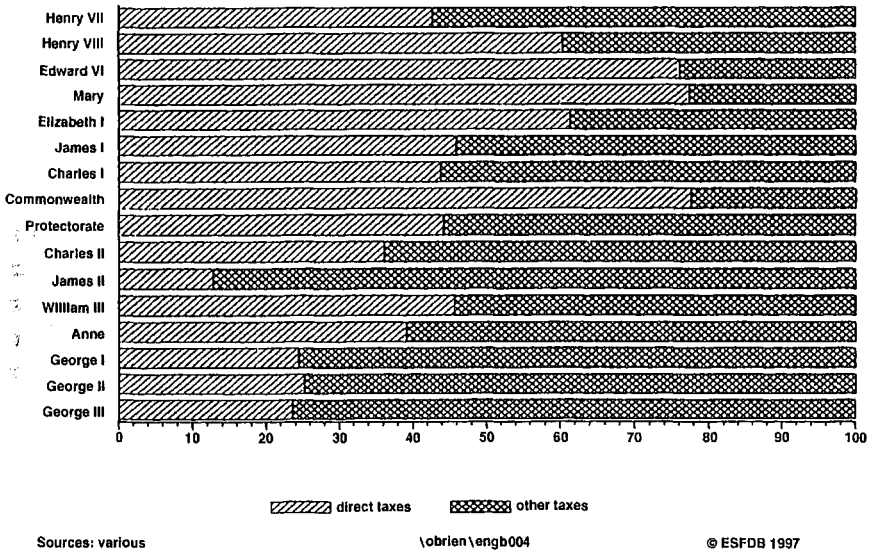

FIG. 2.2 Ratio of direct taxes to total taxes in England by reign, 1485–1820

Additions to the national debt almost never occurred in peacetime, when governments balanced their budgets and satisfied their needs for credit by issuing Treasury or Exchequer bills repayable with interest after a year or eighteen months.[34] Orange and Hanoverian Chancellors of the Exchequer used the funding system basically to borrow most (that is, up to 80 per cent) of all the extra money required to pay for the mobilization of armies and navies during the long succession of eight wars fought by Britain between 1689 and 1815. These loans, which were raised primarily by the issue of irredeemable or long-term bonds on the London capital market, precluded the necessity for sudden and possibly unacceptable rises in wartime taxation. The discontinuous but inexorable accumulation of Britain's national debt (despite all the hostility it aroused among both radical and conservative opposition to governments of the day) allowed monarchs and their ministers to pursue foreign, strategic, commercial and imperial policies that were far less constrained by fiscal necessities than had been the case before the Glorious Revolution of 1688. The development of a system of permanent debt—which carried no obligation for repayment—allowed an increasingly active state to spread the costs of paying for its wars forward in time and for that burden to become embodied in taxes paid by future generations

[34] Hargreaves (1930); Richards (1934–7), 193–211.

of British citizens. Since the home economy was expanding, urbanizing and undergoing structural changes that on the whole favoured the extraction of ever-higher levels of taxation, Britain's fiscal strategy worked.[35] Successive governments obtained the resources required to defend the realm, and to wage (and, usually, to win) wars without provoking tax revolts or even that degree of resistance among taxpayers which might otherwise have compromised the state's foreign and imperial objectives.

Of course, the system did not function without difficulties, as is evident from the experience of the American War of Independence, which originated as a tax revolt.[36] Nevertheless, British public finance worked better than fiscal systems elsewhere in Europe. Although politicians worried about it, the national debt went up and up without leading to fiscal crises of the kind that led to changes of regime in France and elsewhere on the Continent.[37] Rising taxation accompanied the accumulation of debt which had to be serviced in peace and war alike. Interest payments to bondholders absorbed proportions of total revenues from taxes which rose from negligible proportions in the reign of the last Stuart king to 42 per cent in the years immediately after the final, and most costly, war with Napoleonic France in 1803–15. Interest payments on the debt 'crowded out' possibilities for more active government involvement with the social and economic problems thrown up by the experience of accelerated rates of population growth and urbanization. They also resulted in tax burdens per capita which rose rapidly to reach levels which by the time of the French Revolution were probably the highest in Europe (Figure 2.3).[38]

After 1688, English taxation also increased more rapidly than national and per capita incomes, but the social distribution and economic effects of this rising burden cannot be established to meet the standards set by modern theoretical and empirical economics for the measurement of tax incidence. It is clear, however, that between the Glorious Revolution and Waterloo the tax structure shifted to a greater degree of dependence upon excises, tariffs and stamp-duties; that it continued to embody a selection of direct taxes normally assessed at 'flat' rates upon the incomes and manifestations of wealth of the richer classes; and that over time taxation almost certainly became more regressive in its incidence.

[35] O'Brien ([1991]).

[36] O'Brien (1988), 1–32. For America: Gipson (1931), 721–39; Holdsworth (1903–72), x, 101–4; Lawson (1984).

[37] Mathias and O'Brien (1976), 601–50; Mathias and O'Brien (1978), 211–13. On the fiscal basis of revolutionary crises: White (1989), 545–68; Weir (1989), 95–124; Weir (1991), 917–48.

[38] ESFDB \enggo10 based on \engdo14. Mathias and O'Brien (1976), 601–50; Fritschy (1990); Dickson (1987), i, 1–13; ii, 4–12, 24, 76, 80–3, 87, 90–1, 106. The 'crowding-out' thesis has been discussed extensively by economic historians. For a short summary and bibliography: O'Brien (1992).

FIG. 2.3 Nine-year moving averages of total revenue per capita in England, 1490–1815 (in constant prices of 1451–75)

Nevertheless, the shift in the burden of taxes should not be exaggerated. Hanoverian ministers made serious attempts to maintain the tradition of exempting 'necessities of the poor' from duties levied upon commodities of mass consumption. While they displayed few inhibitions in raising imposts upon spirits, wines, silks and tobacco, ministers calibrated the rates of taxation levied upon beer, candles, soap, starch, leather, windows, houses, horses and carriages in order to secure lighter levies upon the kinds and qualities of goods likely to be consumed by families lower down the income scale. Furthermore, direct taxes upon landed wealth and other forms of real property invariably went up in wartime, sometimes by a factor of four.[39] At the very end of the eighteenth century, under pressure of wartime necessity, Pitt the Younger designed and introduced a productive but non-progressive tax upon incomes above £50 a year regardless of source. His contentious innovation temporarily reversed the tendency towards reliance upon indirect forms of taxation.[40]

Economic incidence, or the effects of taxes on the growth of the economy, seem even more difficult to evaluate. Most agricultural outputs (with the exception of hides, malt, horses and tallow) escaped taxation entirely; indeed, subsidies were actually payable on exported grain. Rapidly growing and innovative industries (textiles, chemicals, metallurgy, shipbuilding, engineering, household

[39] O'Brien (1988). [40] O'Brien (1959).

utensils and furniture) hardly suffered from taxes levied directly on final outputs or upon their inputs. Despite their ceaseless search for new taxes, Chancellors of the Exchequer managed to avoid whole areas of domestic manufacturing activity. Their depredations tended to fall upon taxable 'agro-industries': beer and its ingredients, spirits, cider, vinegar, salt, refined sugar, soap, starch, candles, leather and paper and, above all, upon housing and housebuilding. Industrialists and merchants could, moreover, avoid taxes entirely by exporting to foreign and imperial markets. Thus at the same time as extensive constraints in domestic consumption in the form of commodity taxes mounted, drawbacks, bounties, imperial preference and, above all, government expenditure on the navy to safeguard markets overseas promoted a growing dependence of British industry and commerce upon the export of goods and services (shipping, financial and mercantile) to the rest of the world.[41]

Liberal political economy represents the economic and social incidence of commodity taxation as a restraint upon development and as an impediment to a more egalitarian distribution of income. Mercantilists, as well as Adam Smith, were not concerned at the regressive tendency in British taxation policy after 1688 and argued that more progressive taxes levied upon income and wealth would have inhibited the savings and investment required for higher rates of economic growth.[42] Commodity taxes inevitably appear as obstacles to the expansion of particular industries and firms, but analytically their effects cannot be separated from the activities they funded. Between 1688 and 1815, state expenditure continued to be overwhelmingly military in form but devoted in large part to the defence of the domestic economy from external aggression and to securing colonies and markets overseas for British industry and commerce. Mercantilist writers observed that military expenditure represented a precondition for the rise of the British economy to the hegemony that it was to occupy for a century after 1815.[43]

III

This chapter argues that the rise of a powerful and economically functional state in Britain waited upon two interrelated developments in its fiscal system: firstly, the establishment of a permanent public debt and, secondly, the provision of increasing flows of revenues (derived mainly from indirect taxes) required to service the regular interest payments which constituted the precondition for the debt's erratic but rapid accumulation in wartime. Both developments were

[41] Beckett and Turner (1990), 377–403. [42] Smith (1937), 823–7; Mathias (1979), 116–30.
[43] Kennedy (1913); Gomes (1987); and Hutchison (1988), are the texts on Mercantilists.

consolidated after 1688 but, since the history of the construction of stable public and private institutions for the floating of irredeemable government loans on the London capital market has been impressively analysed by Peter Dickson, we propose to concentrate here on the fiscal preconditions for its rise.[44]

It should be stressed that the total amounts of revenue collected over time (in the form of customs dues levied on imports and exports, as excises imposed upon commodities domestically produced and consumed, and as stamp duties assessed largely on services sold within the kingdom) essentially emanated from three political actions: from extensions to commodities and services legislated into the net for taxation; from raising the rates of taxation over time; and from improvements to the administration of the revenue. For the majority of the state's productive taxes, the steady rise in the amount of money received by the Exchequer exceeded by a considerable margin additional receipts imputable to 'autonomous' increases in the manufacture and consumption of the commodities and services subjected to taxation. Of course, structural, locational and organizational changes in internal and external trade and domestic production created opportunities for widening the government's fiscal base, but these opportunities had to be taken through the political system and rendered effective by the revenue officials actually responsible for the assessment and collection of taxes.

Furthermore, the degree to which the additional receipts from any tax or set of taxes can be logically attributed to autonomous increases in production and consumption of the commodity taxed seems problematical for a Mercantilist age when sustained increases in exports, imports and national production depended upon the government's commitment to the defence of foreign trade and to security within the realm. Were the revenues that accrued from tariffs on imported tropical groceries (sugar, tea, coffee and spices) unrelated to expenditure on the royal navy? Obviously not. In general, the fiscal achievement which secured vastly increased amounts of revenue from indirect taxation between 1688 and 1815 was basically political and administrative. Although the Hanoverian state benefited from the acceleration in economic growth that occurred in the private sector over this period, public income rose largely because ministers and revenue departments formulated and implemented successful fiscal policies.

Only a modest proportion of the extra revenue raised to support the secular rise in British military expenditure between 1688 and 1815 emanated from direct taxes levied upon income and wealth. But an increasing volume of receipts from direct taxes came into the Exchequer for three basic reasons. Chancellors moved

[44] Dickson (1967).

the rate of tax levied upon real property up in wartime and down in peacetime. They legislated in order to base assessments upon new manifestations of (or proxies for) the wealth and incomes of individuals, including their houses and windows, horses, carriages, servants, dogs and so on. Pitt the Younger also designed and introduced the country's first successful income tax (1799–1816). Between them, governmental policies account for almost all the extra revenue collected as direct taxes between 1688 and 1815, and this leaves little room for additions to public revenue from autonomous increases in income and wealth. While rises in the real income and wealth of taxable households occurred, these served chiefly to make individuals more compliant towards the increasing and reformulated demands of the state.

Given the accelerated increase in tax revenues that occurred after 1688 and the essentially political and administrative nature of the Hanoverian fiscal achievement, the question of why, decade after decade, the Tudor and Stuart regimes tried, but failed, to collect higher levels of taxation can now be addressed. First of all, it must be observed that the opportunities and potential for the collection of more revenue from indirect taxes levied on trade and production almost certainly had remained underexploited before 1688. Otherwise the marked discontinuity in the inflows of income from this category of revenue could only be accounted for in terms of comparable rates of accelerated growth in trade and domestic production, which seems implausible. Historical enquiry must, therefore, concentrate upon the political and administrative constraints faced by Tudor and Stuart monarchs and their fiscal advisers who were normally under strong pressures to broaden the net for taxation and to impose higher rates of duty levied upon goods and services consumed and produced in the kingdom.

When Henry VII seized the throne in 1485, the king's right to regulate and to tax foreign trade—exports as well as imports—had long been recognized. Indeed, this royal prerogative was formally confirmed by Parliament at the beginning of every reign, when kings often took the opportunity to review and to renegotiate the range, rates and administration of commodity taxes at their disposal.[45] Before the Interregnum, the range of indirect taxes potentially exploitable for this purpose excluded excises and similar inland duties levied upon goods and services produced and consumed within the realm. Exports apart, Tudor and early Stuart parliaments considered internal trade and home production for the purposes of domestic consumption to be ineligible for royal taxation. In practice, the exceptions to this rule included several minerals, such as alum, lead, tin and sea coals—all visible and bulky commodities over which English

[45] Dietz (1964), 11–12, 20, 24–5, 34, 39, 103–4, 206–9; Dietz (1932), 305–79; Atton and Holland (1908); Schanz (1881); Hall (1885); Willan (1962); Sinclair (1802–4), vols. i–iii.

kings asserted hereditary property rights.[46] No doubt the convention which confined royal impositions to international trade survived as long as it did because English monarchs and parliaments recognized that most of society lived close to the margins of subsistence and thus it might be politically imprudent to tax basic foodstuffs or the 'necessities of the poor'.[47] As far as the non-necessities or luxuries consumed by their more affluent subjects were concerned, it was also appreciated that the list of domestically produced goods potentially available for taxation was short and administratively difficult to tax because it consisted largely of commodities manufactured and distributed by thousands of small producers, merchants and retailers scattered up and down the kingdom. For long stretches of the sixteenth and seventeenth centuries, the decentralized and small-scale systems of production and distribution posed administrative problems for the extension of inland taxes which were considered beyond the capacities of the Tudor and Stuart state to solve.[48] This is the fundamental explanation why customs duties—levied upon rather small samples of commodities of a politically unproblematical kind imported and exported across the borders of the kingdom—continued to account for over 90 per cent of receipts from indirect taxation right down to the Interregnum. Only in the Interregnum did excises on beer and other alcoholic beverages emerge as important sources of royal revenue.

Meanwhile, and for more than 120 years after the accession of Henry VII, the range of imports and exports potentially available for 'duty' also remained circumscribed by the kingdom's foreign and commercial relations with European powers and by the other royal policies designed to promote the growth of exports and to encourage the development of local industries manufacturing substitutes for goods imported from overseas.[49] Potential yields from tariffs or export duties could fall away sharply if and when consumer demand declined in response to the rising prices which followed from higher impositions upon international commerce. Furthermore, some traded commodities embodied characteristics—of size, shape, visibility and portability in relation to value—that rendered them easier than others to define and locate for purposes of duty. Administratively even this restricted subset of commodities could only be brought into the net of taxation effectively if and when they were legally traded through London, Bristol and a short list of other English and Welsh outports.[50] From year to year smuggling deprived the revenue of a considerable share of

[46] Dietz (1922, 1928).
[47] Kennedy (1913); Dowell (1888); Sinclair (1802–4).
[48] Dowell (1884); Schanz (1881).
[49] Coleman (1977); Clay (1984); Holderness (1976); Clarkson (1971).
[50] Schanz (1881).

customs dues owed to the king.[51] Thus for administrative and domestic political reasons, as well as for considerations of foreign policy, only a sample of the country's imports and exports remained eligible for taxation reign after reign. Proposals to extend customs legislation to other traded goods were certainly discussed and sometimes implemented, but the list of commodities subjected to duties and which yielded significant sums of money remained pretty much confined to wines, wool, currants, silks and other cloth, and eventually (when these colonial imports became available in the early decades of the seventeenth century) tobacco and sugar.[52]

Even in relation to this restricted range of commodities traded into and out of the kingdom, the amount of revenue actually received by kings fell—and probably fell seriously—below potential levels because the state never managed to assert anything like effective control over both the assessment and collection of customs duties. This occurred in part because customs legislation provided for the assessment of too many duties at *ad valorem* rates which meant that liability had to be calculated in relation to the values (rather than to the weights or volumes) of commodities imported and exported. Values approximating to market prices could be obtained on oath from merchants engaged in trading goods liable for tax or prescribed in advance in books of rates compiled by officials. In 1507, Henry VII decided to assess merchandise traded through London on a new book of rates, presumably based on prices current at that time.[53] Obviously a key problem for the Tudor state was how to keep these official valuations of taxable imports and exports in line with changes in market prices particularly during the period of sustained inflation from 1521.[54] Amendments to the book of rates occurred in 1526, 1545 and on several occasions during the reign of Elizabeth. Substantial revaluations took place in 1558, 1604, 1642, 1660 and 1685.[55] Revisions were not, however, frequent or systematic enough to keep the king's share from these imports in line with underlying changes in the real values of taxable imports and exports.

Contemporaries were convinced that for one reason or another the gap between gross amounts of customs duties collected and net amounts actually received by the Exchequer in London deprived the king of considerable

[51] No good study of pre-18th-cent. smuggling exists, but if smuggling reduced the potential yield of customs even under the efficient 18th-cent. service, it would have lost even more revenue in earlier centuries with a less efficient bureaucracy. Atton and Holland (1908); Hoon (1938); Mui and Mui (1975); Grimard (1983).

[52] Dietz (1922, 1928) for items covered.

[53] Dietz (1964), 25.

[54] Outhwaite (1969), 13.

[55] Dietz (1964), 25; Dietz (1932), 7, 44, 63, 119, 177, 184, 242–3, 269, 335; Chandaman (1975), 11–12, 307; Willan (1962); Grimard (1983), 351.

amounts of money.[56] In order to reduce avoidable administrative costs, Burghley decided, shortly after Elizabeth's accession, to inaugurate a process of reform by handing over to private businessmen responsibility for the assessment and collection of duties levied upon some of the goods traded. Throughout the period from 1568 to 1671 (when public servants once again assumed full and permanent control of their assessment and collection), variable but sometimes rather large proportions (especially in the years 1604–41) of customs revenue were farmed out to private individuals or syndicates under a complex variety of contractual arrangements designed to ensure acceptable levels and stable flows of income into the royal coffers year after year. Tax farming continued well into the reign of Charles II. In the view of those in favour of privatization, tax farming offered monarchs a more efficient alternative to a royal bureaucracy which was difficult to supervise, which was prey to political interference, corruption and incompetence and prone to neglect the king's fiscal interests.[57]

The privatized portion of royal revenues from indirect taxes functioned, however, within a legal framework in which the state set rules for the assessment of duties, the extent and shape of particular tax farms, the periods and terms of leases, provisions for default of contract, accounting and supervisory procedures, and so on. The system as well as the terminology used to contract out 'property rights' to royal revenues approximated to the practices for management adopted on crown and aristocratic landed estates. Farms could be created and leased for the collection of duties payable upon the import of a single commodity (such as for a duty on currants) or for a penumbra of duties (such as the Great Farm). Alternatively, farms could be based on trade through a particular port or a set of outports. Arrangements could be changed from lease to lease to take advantage of prospects for increased administrative efficiency, to tap into specialized local and mercantile expertise and, less productively, for purposes of granting or repaying political favours to powerful courtiers, magnates and businessmen.[58]

In theory, the policy of farming indirect taxes promised to deliver higher proportions of revenue collected into the Exchequer by avoiding the corruption and incompetence associated with a centralized state bureaucracy appointed under a system of royal patronage. Naturally, private enterprise became popular with some parliamentarians who were anxious about any expansion in the

[56] Schanz (1881); Hoskins (1976); Dietz (1932, 1964). [57] Dietz (1932), 21, 311.

[58] Medieval customs were partly farmed and partly run by commissions: Baker (1961), 1–23; Lipson (1926–31), i, 484–6. Tudor customs were run by commission: Gras (1918). Cunningham stresses the inefficiency under commission in the reign of Mary Tudor: Cunningham (1890), 256–7, 489. The Stuarts turned to farming: Lipson (1931), iii, 25, 101, 142–56, 236. It is an interesting historiographical point that before Dietz historians did not discuss Stuart customs farms: Cunningham (1892). Dietz (1922, 1928) lists the customs duties under the Tudors and early Stuarts.

numbers of public servants owing allegiance to the king and because privatization held out possibilities for sharing the 'spoils' accruing from handling the king's revenues beyond the circle of courtiers, favourites and royal bureaucrats.[59] In devolving responsibility for the assessment and collection of revenues upon merchants and other business syndicates, the crown consolidated an institutional mechanism which facilitated the raising of loans and credit for the central government. For example, after the establishment of revenue farms, the king could borrow money on the security, and in anticipation, of future tax revenues that farmers expected would come under their own direct control. They were prepared to lend in this otherwise risky area of finance because repayments and interest could be deducted before they handed over their agreed annual rents to the Exchequer in London. Furthermore, and as a condition for granting a lease to farm taxes, the crown also gradually adopted the convention of demanding a large advance (or entry fine). In this way, tax farming provided for an embryonic yet regularized system for royal borrowing that reduced the state's dependence upon the Antwerp and Amsterdam capital markets. To all intents and purposes, the device of linking loans directly to taxes also anticipated central features of the financial revolution which developed decades later between 1694 and 1713.[60] In practice, it also foreshadowed the practice of 'reserving' receipts from indirect taxes to service and redeem past loans.

Before the reign of Elizabeth, the farming of taxes on trade was rare. It emerged as policy after the receipts from customs duties fell sharply during the reign of Henry VIII; but the device could only be introduced after the long-discussed revaluations of the book of rates were completed in the reign of Mary.[61] Serious experimentation with tax farming then persisted for about a century but the share of indirect taxes collected by farmers oscillated from reign to reign and between periods of war and peace. For obvious reasons, farming worked best when the kingdom's foreign trade remained free from interruptions connected with warfare. Otherwise farmers became reluctant to contract with the state to deliver fixed annual sums as rents for the lease of customs farms were subject to unavoidable fluctuations in the total amounts of duties collected upon foreign trade. For example, tax farming became an unattractive investment for private capital during the wars with Spain (1585–1604) and in these troubled years the state virtually 'renationalized' responsibility for the assessment and collection of customs duties. Farming on a great scale tied closely with

[59] Chandaman (1975), 22–36, 206, 229–30, 307, 365; Gill (1932–4).

[60] Harriss (1963), 1–19; Stephens (1725), 327–50; Harriss (1955–6), 187–99; Richardson (1954–5), 33–48; Richards (1934–7), 193–211; Outhwaite (1966); Outhwaite (1971), 251–63; Ashton (1960); Habakkuk (1962–3), 70–88; Harper (1927); Chandaman (1975).

[61] Dietz (1964), 25, 207–8.

royal borrowing resumed during the reigns of James I and Charles I. Between 1604 and 1641, the system fell into such disrepute as a result of corruption, favouritism and legal complexity that the Long Parliament swept farming away in 1643 and the state reverted to the direct collection of its own customs throughout the Interregnum.[62]

This revolutionary period in English political and administrative history also witnessed the extension of indirect taxation to include excises as an integral part of the fiscal system. If excises are taken to be taxes upon articles of domestic manufacture made and consumed within the realm, then they had certainly been levied long before 1641 and should not be depicted as a foreign innovation. Royal impositions on minerals including sea coals have already been mentioned. During the closing years of his reign, Charles I (desperately picking up money wherever he could) taxed cloth, starch, soap, spectacles, gold and silver wire, playing-cards, even the Shadwell waterworks as well as taverns in Devon and Cornwall.[63] No precedent or deep issues of principle seem to have been at stake when the Commonwealth and Protectorate governments extended the range and consolidated the administration of inland duties. By the time Charles II returned to his kingdom in 1660, excises were being levied on beer and other alcoholic beverages, salt, saffron, hops, lead, tin, iron, glass, oils, soap, starch, and wire of gold, silver or copper. At this point in English fiscal history, excises proper already contributed around 40 per cent of total net receipts from indirect taxation and roughly 60 per cent of this contribution came from levies upon beer and other liquors.[64]

Given all the political difficulties involved in reaching a viable settlement between the king and Parliament over his claims to royal revenues and the marked antipathy of the rich and powerful to direct taxes on their incomes and wealth, it is not surprising (despite their oft-proclaimed unpopularity) that excises matured into the core part of England's 'fiscal constitution'. After the Restoration, a base for the taxation of internal economic activities and the consumption of home-produced commodities was demonstrably available. At the same time, the alternative of reverting to the levels and regularity of direct taxation levied by Charles I and Cromwell was perceived to be off the political agenda. It had taken the Civil War and an interregnum of republican governments for the propertied classes to accept the necessity for higher levels of taxation and an experimental period with excises to convince the political elite that direct taxes upon income and wealth could be minimized without leading

[62] Dietz (1928); Dietz (1932), 328–79; Chandaman (1975), 11–13.

[63] Dietz (1928); Dietz (1932), 328–79; Owens (1879), 3–7; E[ast] (1877), 5–6; Leftwich (1908), 27–34; Sharpe (1992), 13, 122–3.

[64] Ashley (1962); Chandaman (1975); Braddick (1991), 598–616; Russell (1979), 198, 332, 381–2.

to a crisis of the state. The political stage had been set for a discernible but modest increase in royal revenues and, more importantly, for a significant and ultimately productive shift in policy towards indirect forms of taxation in general and excises in particular. All that remained to be done was to reform and to maintain an efficient administrative machine for the assessment and collection of customs, excise and stamp-duties.

Basic changes to the mode of administration of the departments of customs and excise, and a reformed legal and institutional basis for their operation, took place in 1671 and 1683 following further experiments with tax farming. Thus the ground had been prepared before the Glorious Revolution set in train a change in the kingdom's foreign and imperial policies which led to such unprecedented demands for taxes. This faltering and unplanned preparation occurred between 1660 and 1685, when central government with some hesitation abandoned tax farming first for customs duties and then later for excises which promoted centralized supervision and direct administration by paid servants of the crown. Restoration ministers and parliaments slowly realized that tax farming never really delivered the stable and efficiently collected revenues its proponents promised. Whenever their gross receipts from customs duties declined as a consequence of international depression, or from military and political interruptions to foreign trade, farmers claimed defalcations, or the right to a reduction in their rents. Similar pressures usually emerged from excise farmers in the wake of bad harvests or unpredictable downswings in production. Conversely, when trade and production boomed, monarchs and their fiscal advisers often moved to renegotiate contracts or to apply a political squeeze on the 'exorbitant' rents, perceived as being made at the expense of the crown. Particularly in wartime, the state could not seriously contemplate leaving its revenues under the control of private farmers. It usually insisted upon some measure of supervision and sought to obtain all the information required to renegotiate contracts on more favourable terms. At the same time, ministers and ordinary Members of Parliament became jealous of the influence which coteries of farmers and financiers, who controlled substantial flows of revenue, might exercise over state policy. Eventually, and with some reluctance, tax farming was finally abandoned for the customs in 1671 and then for the assessment and collection of excises in 1683.[65]

Although experiments with farming had provided ministers with useful information, experience and the trained personnel to absorb into the service of the state, the way was clear to concentrate upon building up a professional civil service for the assessment and collection of the king's revenues. Under the pressure of wartime necessity, this development occurred rapidly and

[65] Chandaman (1975), 37–76.

conspicuously for the department of Excise, which expanded after 1688 to administer a widening range of excise duties levied on beer, cider and perry, distilled liquors, salt, malt, hides and skins, candles, hops, stone bottles, paper, printed textiles, soap, glass, paper, starch, gold and silver wire and so on.[66] In time, the Excise became far and away the most efficient department of state and embodied several attributes of a modern civil service, including recruitment by examination, training, promotion on merit, regular salaries and pensions, and standardized bureaucratic procedures for the assessment and collection of taxes and their remittance to London.[67]

Although responsibility for the collection of customs duties was renationalized more than a decade before the excise, the customs service scarcely developed at all into a comparably modern and efficient department of state. Of course, the schedules of import tariffs embodied in legislation—which included elements of the kingdom's commercial, navigational and imperial regulations—were much more complicated to administer. Although the widespread proclivity to defraud the revenue reduced receipts from every conceivable kind of tax, customs officers confronted particular problems in the shape of well-organized conspiracies to smuggle foreign luxuries—wines, brandies, tobacco, silks, tea and sugar—into the kingdom. Yet despite the serious problems faced by the customs service, the quality of officers recruited to manage England's tariffs (as well as its navigational and imperial regulations) continued to be handicapped by patronage and the survival of sinecures among all echelons of its higher management. At lower levels, the officers dealing directly with the complex tasks involved in the assessment and collection of duties upon imports passing through Britain's ports charged, or rather negotiated, fees for their 'services' to merchants bringing goods into the kingdom. Opportunities for corruption seem to have been built into the system of remuneration by fees which could only be checked by erecting layers of supervisors and surveyors charged to protect the king's revenue from the fraudulent practices of executive officers engaged in the day-to-day work of levying and collecting duties. Reforms and improvements to the service concentrated more upon checking the activities of companies and gangs of smugglers seeking to evade duties altogether. Perhaps prudently, ministers allowed 'legal traders' an acceptable level of evasion.[68]

Revenues from customs duties increased dramatically between 1671 and 1815, which arose more from the long-term expansion in traded goods passing through British ports than from administrative and legal improvements to the

[66] Leftwich (1908), 38–54; Nodin (1792).
[67] O'Brien (1988); Leftwich (1908), 1–54; Brewer (1989), 64–88.
[68] Atton and Holland (1908); Hoon (1938).

collection of customs duties.[69] Nevertheless, the increased efficiency in the department of Excise led to a fall in the ratio of administrative costs to revenues collected. An effective public administration for the collection of indirect taxes took a long time to develop, but perhaps the main reason why opportunities to exploit the latent potential for the taxation of foreign trade and internal production were not taken up until relatively late in the seventeenth century was that the crown's fiscal strategy continued to be preoccupied with a misguided set of policies designed to reform the basis for, and the administration of, direct taxes levied upon the incomes and wealth of English households and upon the Church. Although they enjoyed odd interludes of success, for decade after decade Tudor and Stuart monarchs and their advisers experienced nothing but frustration as they attempted to appropriate regular and stable levels of revenues in the form of direct taxes, and it is to this issue that we now turn.

IV

The long-term trend in real receipts or still more in income per head of the population from direct taxes looks decidedly flat (Figure 2.4).[70] Unless the period between the accession of Henry VII and the imposition of the first modern income tax by Pitt the Younger in 1799 was marked either by declining levels of average income or, alternatively, by a discernibly more unequal distribution of wealth and income, this long-term trend represents a failure of royal power in this most critical of all areas for the rise of the British fiscal state. Both mitigating possibilities, especially the former, are improbable. Furthermore, and given that the cycles of modest increases in receipts (detectable on a semi-logarithmic scale) were associated with extraordinary and unsustainable appropriations secured by royal governments in circumstances of war, rebellion and the Reformation, there can be no mistaking the longer-term failure of the state to deepen, widen and regularize its base for direct taxation. At the end of a survey covering three centuries of English fiscal history, not much more than the headings of an explanation for this familiar failure can be outlined. There is no space to detail chronologically all the examples required to demonstrate conclusively that a confined but persistent set of political and administrative factors operated reign after reign to restrict the powers of ministers and their servants to levy direct taxes upon the king's otherwise loyal subjects and the Church.

Special contractual arrangements for taxation had traditionally been reached between the crown and the Church, the largest and most visible owner of land

[69] O'Brien (1988).

[70] ESFDB \obrien\enggo11 based on \engdo15. Real receipts of direct taxes per capita are available from ESFDB \obrien\engmoo1, to be deflated by \engindic\engdoo1.

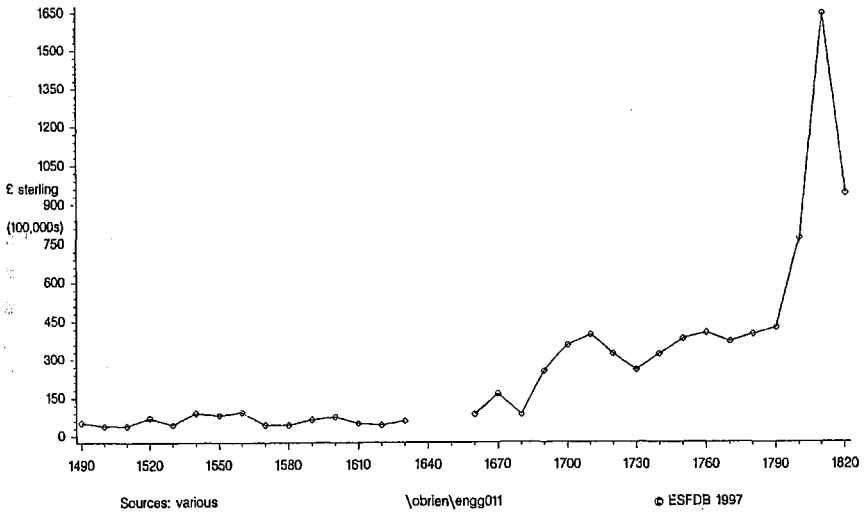

FIG. 2.4 Nine-year moving averages of direct taxes in England, 1490–1820 (in constant prices of 1451–75)

and other productive assets in the realm before the Reformation. During the reign of Henry VII, approximately 14 per cent of the king's revenues came from this single corporate source, under such headings as subsidies and fines, first fruits and tenths, and vacant temporalities. A peak of around 25 per cent of the king's revenues was achieved during the reign of Henry VIII (1509–47), when a large proportion of church lands, buildings and other assets were expropriated and privatized. After the Reformation, the capacity of the Church of England to meet royal demands declined but it continued to be vulnerable to such pressures until the reign of Charles I, when clerical taxes still accounted for some 15 per cent of the monarch's income from direct taxation.[71] During the Interregnum, the state again seized ecclesiastical wealth. After 1663, the Church as a corporation, though not individuals within it, ceased to occupy a role of any real significance in funding expenditure by central government.[72]

Tudor and Stuart monarchs found it relatively easy to tax and to expropriate the wealth of the Church, but they confronted a powerful tradition of resistance

[71] For data: ESFDB \obrien\engmoo1; O'Brien and Hunt (1993), 139–40; Hill (1956); Heal (1976), 97–112; McGurk (1975), 198; Scarisbrick (1960), 41–54; O'Day (1979), 172–7; Heal (1980); Heal and O'Day (1977), 1–14; Heal (1977), 99–118.

[72] For the effective end to significant clerical taxation in subsidies in 1663: Chandaman (1975), 158; Turner (1916–18), 16–33; Lathbury (1842), 259–61; Dunstan (1974), 7–23. First fruits and tenths continued to be levied as a direct tax until 1704, and were collected by the Exchequer until 1838. For Queen Anne's Bounty Office: Sykes (1959), 36–44.

to their demands among the laity or, more specifically, from families with sufficient property and income to contribute to the needs of the crown. Although requests for supply were almost never refused by Parliament, they could be negotiated down to a size that frequently disappointed monarchs and their ministers. Unsatisfactory bargains with Parliament could usually be arranged, but intractable and persistent problems arose reign after reign when direct taxes which had received reluctant assent from Parliament came to be assessed upon those families which were liable. Parliamentary agreement represented only the beginning of an uncertain, protracted and difficult process of collection which often ended with yields seriously below target levels and from time to time in fiasco and failure. At the outset, the legislation under which taxpayers could be legally assessed needed to include a definition of the basis for taxation, to specify a rate of tax and to list the categories of subjects and/or types of wealth and income exempt from royal demands for money. Clearly the interest of kings, perennially short of revenue and facing unavoidable expenditure commitments, was to minimize the share of national income and wealth that could for one reason or another escape liability for taxation. Conversely, the interests of taxpayers was to evade attempts to secure clearly defined and up-to-date valuations of their incomes and wealth.

As Henry VIII discovered when he attempted to push liability for direct taxation down the social and income scales, the majority of his subjects lived too close to the margins of subsistence to contribute anything even to his unrelenting and vigorously enforced demands for money.[73] A similar lesson re-emerged time and again following attempts to widen the demographic base for taxation by levying poll taxes (even graduated poll taxes) upon higher proportions of the populace.[74] The potential numbers of taxpayers—that is, those with an available surplus which could be taxed—never represented more than a minority of the population. Most wage-earners could only be taxed with extreme difficulty, while the poor, who depended upon almsgiving, their local communities or their families, tended to fall outside direct taxation entirely.

Residents of geographically remote and inaccessible communities living in forests, mountains, offshore islands and other places where the king's writ for taxes did not really run also fell outside direct taxation.[75] In fiscal terms, Tudor

[73] For failures of subsidies: Elton (1975), 33–48; Schofield (1963); Bernard (1986); Hoyle ([1992]); Schofield (1988), 227–55.

[74] Early poll taxes include that of 1513, which failed: Pollard (1929), 131. Stuart poll taxes include those of 1660, 1667, 1678: Chandaman (1975). For 1641: Chisholm (1868–9), 900 and 1 Wm. & Mar. c. 13; 2 Wm. & Mar. c. 2; 3 Wm. & Mar. c. 6; 5 & 6 Wm. & Mar. c. 14; 8 & 9 Wm. & Mar. c. 6.

[75] Buchatzsch (1950), 180–202; Schofield (1965), 483–510; Schofield (1963), 478–81; Rogers (1856–1902), iv, 70–138; v, 104–25; Hoskins (1976), 13–28, 214–16, 245; Stanley (1980), 315–20; Moore (1900), i, 322–5, 351–3; Williams (1987), 253–65; O'Brien (forthcoming).

and Stuart kings could hardly pretend to rule over a united kingdom. Wales was not formally incorporated into the fiscal system on a continuous basis until 1576. Scotland entered into union with England and Wales in 1707 but transferred relatively small sums of money to the Exchequer in London until well into the nineteenth century.[76] Even counties along the borders of Wales and Scotland escaped with light burdens of taxation because in theory they were expected to provide for their own defence against the incursions of Celtic marauders.[77] Ireland remained formally outside the fiscal kingdom until 1817, although Irish contributions to royal income in the late seventeenth century were important. Like the rest of the empire, both before and after the American War of Independence, the Celtic provinces never contributed a proportionate ratio of the taxes required to defray the costs of imperial defence.[78] For centuries, therefore, English taxpayers paid an overwhelming share of the direct taxes collected by Tudor, Stuart and Hanoverian governments to fund the kingdom's defence and its foreign and imperial policies. Within England that burden was not only geographically concentrated but it was also imposed in ways that almost certainly did not reflect the underlying capacities of different counties, towns and parishes to contribute to the demands of the state.

The incidence of taxes also fell disproportionately upon certain categories of income and with perceived, if immeasurable, unfairness between the rich and the poor.[79] Despite the reforming zeal of a long line of capable finance ministers, the system for the assessment and collection of direct taxes continued to be shot through with anomalies and inefficiencies of the kind found in most European states before the twentieth century. In England, the level, structure and mode of assessment deployed for direct taxation reflected compromises between court and country, centre and locality, monarchy and aristocracy over the division of political power within the realm. Although the propensity to evade irregular and negotiable taxes remained universal, it could be aggravated by extravagance at court and by unpopular royal policies.[80] Throughout these three centuries passive and sometimes overt resistance to the king's demands for money was also reinforced by a widespread perception that the methods used to assess individual liabilities were riddled with inequities and biases of all kinds. The assessment and

[76] For Scotland and Wales: O'Brien (1988), 5; O'Brien and Hunt (1993), 146–7; Elton (1984), 108–21.

[77] For myses (local taxes in the Welsh Marches): Williams (1987), 362.

[78] For Celtic and imperial taxes: O'Brien (1988); Chisholm (1868–9), on Ireland, and Kiernan (1930).

[79] No good histories of taxes over the long run have appeared since Dowell (1884) and Sinclair (1802–4).

[80] On the politics of taxation: Elton (1953), 160–259, 415–27; Elton (1975); Russell (1971, 1973*a*, 1973*b*, 1979).

collection of direct taxes remained under the control of the aristocracy, gentry and their appointed officials responsible for the local government in the shires, cities, towns and parishes of the kingdom.[81] Acting through Parliament, the king and his ministers could prescribe rules and specify persons and institutions exempt from the assessment of direct taxes. After this, they could do little more than rely upon a local, voluntary, largely amateur and understaffed administration to put into effect the laws and instructions for the direct taxation of hundreds of thousands of households up and down the land.

If only to raise the willingness among the population to comply with 'just' demands of the king for supply, ministers tried to define the basis for direct taxes in ways that approximated to some administratively feasible and acceptable measure of the capacity to pay. For monetized market economies, the recorded annual flows of payments for labour services and of profits, interest and rents accruing from the ownership of productive assets provide reasonably accurate and acceptable indicators of household incomes. Except for a minority of the taxable population in Tudor and Stuart and Hanoverian times, such records, or even the required volume of transactions behind them, did not exist. Thus the basis for personal taxation could only be specified in relation to a penumbra of proxies that changed through time as royal ministers experimented with indicators of expenditure by households that might be feasible to administer, difficult to conceal and might be universally recognized as a reasonable measure of the capacity to contribute to royal demands for taxes. In general terms, the law experimented with proxies for income that were related either to the ownership and control of productive assets (such as land and machinery) or to common, visible and durable items of household expenditures (such as furnishings, windows and so on). As set out in successive statutes of the realm, the list of personal assets theoretically declared, displayed and valued for the purposes of direct assessment included from time to time several household durables, clothing and personal effects, jewels, hearths, windows, houses, household servants, dogs, horses, as well as cultivable land, farm implements, machinery, stocks of raw materials and other capital goods.[82] Nevertheless, as prescribed these indicators could never be more than rough and ready. Some probably correlated satisfactorily with levels of personal income. Others (such as hearths) did not. Taxes were perceived to be biased and unfair in their incidence. Income taxes based upon expenditure could, moreover, always be evaded by changing patterns of consumption. Concealment of 'true worth' was said to be far easier for some

[81] Sinclair (1802–4); Ward (1953).

[82] Descriptions of incomes and assets subject to taxes in fifteenths and tenths and Tudor–Stuart subsidies are in the statutes enacting each tax. For a flavour of Henrician subsidies: 4 Hen. VIII c. 19; 5 Hen. VIII c. 17; 6 Hen. VIII c. 26. For an overview: Schofield (1963).

socio-economic groups (such as merchants) than for others (such as landowners).[83] Perhaps the largest problem faced by local and lowly administrators when it came to the actual assessment of individual liability for tax was how to value or price the 'personalty' and 'realty' specified in the law as proxies for income. Markets for the sale of productive assets (such as land, machinery and buildings) were imperfect. For household durables, embryonic markets existed at local levels but in Tudor and Stuart, and even in Hanoverian, times 'personalty' did not consist of standardized commodities purchased for sums of money that fell within a familiar and narrow range of prices.[84]

In underdeveloped and non-commercialized economies, the valuation of personal goods and productive assets is usually highly problematic. Administratively, this awkward feature of the English tax base improved after 1485, although very slowly. Meanwhile, the absence of markets turned the process of assessment into a matter for 'negotiation' between local officials and taxpayers who were often neighbours in close and daily contact one with another. It is easy to comprehend how a system for the assessment of personal liabilities which could make only limited use of objective information might inevitably fall into disrepute for partiality, corruption, deference and biases of every conceivable kind. It is also not difficult to understand why negotiated or imposed settlements for personal liability should become stereotyped at historic valuations that proved to be resistant to amendment in the light of improvement to individual incomes. Such settlements could become a source of contention if and when circumstances deteriorated absolutely or relatively *vis-à-vis* other households. Inside such close social and personalized contexts for direct taxation, the simplest way for reluctant local officials to cope with new legislation redefining liability to contribute to royal demands was to stereotype the household base for direct taxation generation after generation.[85] Meanwhile, the paucity and ambiguity of objective information related to incomes and wealth and the opposition to change built into a localized administration for direct taxes turned the level of compliance into an uncertain and problematical variable for monarchs and their ministers, whose interest was to secure predictable revenues with which to fund the state.[86]

One way of increasing royal revenues significantly was to insist upon the king's rights to feudal forms of taxation; but the predatory and biased nature of

[83] For general works on subsidies and other direct taxes: Schofield (1963); Hoyle (1992); Scarisbrick (1960).

[84] For problems of valuation: Dowell (1884).

[85] Glasscock (1975); Schofield (1963); Schofield (1988); Williams (1979), 55–80, 458–9.

[86] There is an extensive discursive literature on the problems of objective measurement of the regional distribution of England's wealth: Stanley (1980), 315–20; Stanley (1982), 231–55; Husbands (1987), 345–59; Darby, Glasscock, Sheail and Versey (1979), 247–62.

such taxes made them politically contentious and compromised the crown's longer-term objectives, which aimed to create an acceptable base for the regular and impartial taxation of income and wealth.[87] By continuing to assert feudal rights, Tudor and Stuart monarchs made it more difficult to establish subsidies, fifteenths and tenths, Ship Money and other assessments as part of a fiscal system which did at least attempt to bring all incomes and wealth into a single net for royal taxation. For example, the twin justification of impartial and universal assessment could not be made for two principal, and highly profitable, feudal rights—wardships and purveyance—retained by the crown down to the Restoration, along with a range of minor incidents, imposts, fines, sequestrations, unrepaid loans, forced contributions, distraints, *debita* and *stallata*, all of which were used especially by the early Stuarts to increase revenues from direct taxation.[88] Nearly all the king's traditional rights to what were essentially predatory, partial and unpopular forms of direct taxation were abolished by Parliament in the course of the Civil War; some were restored at the Restoration only to be negotiated away subsequently.[89] Englishmen would never accept direct taxes with equanimity, but after 1641 compliance with such demands from the state was no longer jeopardized by the monarch's sporadic exercise of deeply resented feudal rights to 'expropriate' the private income and wealth of arbitrarily selected classes and categories of his otherwise loyal subjects.[90]

Understandably, the monarch's reluctance to surrender his counterproductive feudal rights continued to be accompanied by a structural failure to establish an effective base for regular universal and acceptable direct taxation upon personal incomes and wealth. Of course, the forum of political resistance to royal demands was Parliament. The well-documented constitutional struggles over power and sovereignty had to be resolved before satisfactory compromises over money could be reached.[91] Nevertheless, and long after 1688, direct forms of taxation raised problems which could not be settled by the kind of 'deals' arranged between Tudor and Stuart monarchs and their parliaments, nor

[87] Feudal taxes reached their widest extent under the early Stuarts, and include *debita* and *stallata*, distraint of knighthood, political fines, special benevolences, aids for knighting the princes of Wales, special levies for equipment and arms in Ireland, recusant fines, fines for refusing to accept the oath of allegiance, aids for marrying the king's daughters, contributions for the suppression of piracy, moneys paid for the war, special fines and amercements. They are found in Dietz (1928), 136–51. Revised forest fines are discussed in Pettit (1960), 54–62.

[88] For the vexatious nature of feudal taxes: Russell (1971, 1979). For wardships: Bell (1953); Hurstfield (1953), 22–36; Hurstfield (1955–6), 53–61. For purveyance: Woodworth (1945), 1–90; Sears (1916), 755–74; Aylmer (1957–8), 81–93; Lindquist (1988), 549–70; McGurk (1977), 58–68.

[89] For the Civil War and Restoration abolition of feudal taxes such as wardships and purveyance: Ashley (1962); Chandaman (1975); Philipps (1661, 1662, 1663); Aylmer (1957–8), 93.

[90] Russell (1971).

[91] Russell (1971, 1973*a*, 1973*b*, 1979).

even by conceding control over supply to the House of Commons. These problems remained intrinsic to the nature of direct taxes and are embedded in the mode and administrative arrangements prescribed for the assessment of personal liability under the law. Unless rough justice is seen to be done, compliance with the demands of the state (which is always difficult to secure) turns rapidly into widespread evasion and depresses yields significantly below predicted levels, thus bringing the fiscal system into discredit. From time to time, when injustices were blatant and demands were pushed too hard, tax revolts could occur and threaten political stability.[92]

The English state experimented repeatedly with definitions of liability which would make assessments effective, impartial and universal in their incidence between households, localities and various types of income and wealth, but the king had no administrative machinery of his own to carry the process of taxation into proper effect. Although the propertied classes recognized the monarch's right to tax their incomes and wealth—when constitutionally and properly exercised through Parliament—they never conceded his right to manage the process of assessment and collection through a royal bureaucracy.[93] This significant change in the 'fiscal constitution' (that is, the power to implement as well as to prescribe laws for direct taxes) only came with the establishment of the Board of Inland Revenue in 1857. Even then, the authority of officials appointed to levy and to collect income taxes was hedged about with all kinds of constitutional safeguards which rendered effective administration of the law difficult to achieve.[94]

In the era before this momentous change, the local base for royal taxation had come to be fixed in relation to the amount contributed to the assessment of 1332: with minor alterations this base remained stable for nearly three centuries. Compounding for quotas contributed by definable units of local government represented an abnegation of the royal responsibility to secure an equitable distribution of burdens between households and across the localities of the kingdom.[95] With the passage of time, the geographical incidence of quotas moved ever more out of line with the underlying base of wealth and income available for royal taxation across and within counties. Practices for the assessment of personal liability became more local, variegated and possibly more regressive in their incidence. Kings could, and did, raise extra income by demanding more fifteenths and tenths over any set period of time. Multiple demands could provoke political resistance which reinforced the perceptions of monarchs and their advisers that higher levels of taxation might be raised more

[92] For early Tudor tax revolts: Williams (1979), 316; Bernard (1986).
[93] O'Brien (1988).
[94] Commissioners for Inland Revenue (1857).
[95] Schofield (1963).

easily and less contentiously if the base could somehow be adjusted to bring it into line with underlying and changing economic realities. As has been shown in Chapter 1, parliamentary discussion of this problem, as well as some designs and experiments for embryonic universal income taxes, emerged in the course of the fifteenth century.[96] Edward IV thought seriously about a totally revised set of county and urban quotas, but the first Tudors (Henry VII and particularly Henry VIII) made serious efforts to re-establish royal supervision over the process for the assessment of direct taxation.[97]

They made no attempt, however, to devise new and more realistic local quotas for fifteenths and tenths and continued to collect them in the traditional way. Instead, they experimented with subsidies, aids, benevolences, proscriptions and other euphemisms for direct taxes by formulating carefully specified rules for the measurement of personal liability, which they hoped would be acceptable and possible to administer. They coupled new legislation with strong pressures on local authorities to carry their rigorous and potentially productive criteria for assessment into effect. Royal commissioners visited the shires, towns and parishes of the realm. Threats to revalue crown lands scattered throughout the kingdom in order to provide data for an objective valuation of neighbouring estates of comparable scale and quality seriously worried landowners. But Cardinal Wolsey recognized what had been obvious since Domesday, that such pressures could only be sustained if the Tudor state managed to obtain detailed information about the wealth and incomes of the king's subjects potentially liable for taxation. In 1522, he launched his Great Proscription to revalue the wealth of the kingdom under the guise of a royal muster of manpower and other resources available for military purposes for the war against France. Information from twenty-nine counties reached London, and it was used as the basis for a forced loan, a subsidy and the demand for an 'Amicable Grant' which produced such strong resistance that Henry VIII disowned the request in 1525.[98]

Thomas Cromwell revalued the property of the Church in 1535 and considered extending the *Valor Ecclesiasticus* to the property of the laity but, when confronted with determined resistance, dropped the idea.[99] Between 1540 and 1547, Henry VIII raised extraordinary amounts of direct taxes to fund the wars

[96] Proposals for income taxes in the 15th cent. are discussed in Virgoe (1982), 125–38; Virgoe (1989), 25–45; Pugh and Ross (1953), 1–28; Gray (1932), 90–113; Rogers (1890), 308.

[97] Virgoe (1989), 25–45.

[98] Davies (1976), 169–70; Vergil, ed. Hay (1950), 300; Bernard (1986); Scarisbrick (1978), 45–67; Cornwall (1965), 19–24; Cornwall (1980); Cornwall (1988), 123; Goring (1971), 681–705.

[99] Cromwell's *Valor Ecclesiasticus* for secular benefices is reproduced in several editions including *Valor Ecclesiasticus*, ed. Caley and Hunter (1810–34). We used Ecton (1711) for the secular clergy. The clergy were revalued under the Great Proscription, and these figures were the basis for the *Valor Ecclesiasticus*: Goring (1971). See also Heal (1980), 54–61; Train (1948), 39.

against France and Scotland but this achievement could not be sustained because even the most powerful of Tudor monarchs left no royal bureaucracy capable of assessing and collecting direct taxes upon income and wealth.[100] Information about the king's tax base gathered by Wolsey and Cromwell which had provided the Tudor state with some empirical foundations for formulating and supervising the assessment of its demands for supply soon became dated and unusable. During the reigns of Mary, Elizabeth and James I the kingdom's demographic base for direct taxation narrowed and the valuations for liabilities of persons and households held in the net for subsidies became as stereotyped and out of touch with underlying economic realities as did the geographical basis for fifteenths and tenths, which remained ossified at their 1332 valuations right down to their last levy in 1623.[101]

On several occasions, the fiscal advisers to Elizabeth I and James I failed to persuade Parliament to agree to a revaluation of the fiscal base for direct taxation.[102] Meanwhile the monarch's recourse to feudal rights and to multiple demands for subsidies and fifteenths and tenths levied upon anachronistic and unfair valuations brought the entire system into disrepute. The need for reform had become urgent long before Charles I embarked upon his ill-fated programme to fund necessary expenditures on the royal navy through the extension of Ship Money from direct levies upon the Cinque Ports to the entire kingdom.[103] Archbishop Laud thought of Ship Money as direct taxation required to fund expenditure for the protection of English trade, which was beginning to provide the crown with ever-increasing amounts of revenue in the form of customs duties.[104] Whatever the origins, as it developed Ship Money turned into a programme which, both in potential and practice, went some way towards the revaluation of the tax base of the Stuart kingdom. This contentious tax also promoted a greater degree of centralized supervision over the assessment and collection of direct taxes than had ever occurred before the reign of Charles I. For example, Ship Money produced more realistic quotas for the towns, boroughs and counties of the realm. It severed the traditional distinction between clerical and lay forms of direct taxation and brought industrial and commercial property into the net for taxation. Although the Privy Council itself did not revise quotas demanded from parishes and hundreds within counties, it actively encouraged sheriffs and lords lieutenant to reform the 'intra-county' basis for the

[100] Schofield (1963).

[101] For stereotyped subsidies after Elizabeth I: Schofield (1988); Hoyle ([1992]).

[102] *Journals of the House of Commons*, i, 448–9 (11–13 July 1610); Smith (1979*a*); Dietz (1932), 380–97. The 1621 Subsidy Act instructed valuations to be fair and at new real values, but this failed: 'Assessment' (1928), 77–9.

[103] Sharpe (1992), 9–23, 105–30, 567–95; Lewis (1928); Gordon (1910), 141–62.

[104] Laud (1847–60), vii, 273–4.

taxation of income and wealth through a piecemeal process of administrative adjudication.[105] Finally, by sending commissioners into the countryside and calling sheriffs and constables to account for their quotas, the council placed strong pressures upon local officers responsible for the assessment of the new direct tax to deliver the king's money to London.[106] Charles did not create a royal bureaucracy but the reforms embodied in Ship Money led to important revaluations of taxable urban wealth, some sensible adjustments to county quotas and the establishment of an institutional mechanism for the gradual revaluation of rural parishes and hundreds within counties.

Ship Money can be presented as a serious attempt by central government to obtain up-to-date and objective information about its tax base and to revive the defunct quota system as potentially the only effective way of ensuring that local officials (who retained control over the assessment and collection of direct taxes) delivered predictable flows of money to London. Naturally, in view of its struggle with the king over Ship Money, Parliament after 1640 returned to the good old ways of subsidies based upon antiquated and unproductive valuations of personal incomes and wealth.[107] But when it came to funding its troops engaged in civil war, the Long Parliament very quickly reverted to quotas of revenues from direct taxes county by county and insisted that money be delivered regularly and quickly to the capital under a system of monthly assessments. Under the republican regime, the liabilities of parishes, townships, boroughs, cities and ultimately of households continued to be determined by local assessors who derived their authority from, and supposedly acted under, rules for the exemption of persons and for the assessment of income and wealth prescribed for in the legislation promulgated under the Long Parliament, the Commonwealth and the Protectorate. Pressures to carry the law into rigorous effect (especially against royalists) were from time to time reinforced by parliamentary soldiers.[108] In the circumstances of the Interregnum, extraordinary amounts of revenue were collected, but fundamentally the system, and its basic deficiencies, did not change. No doubt the information gathered by Charles I for Ship Money to determine county and urban contributions within counties continued to inform the setting of quotas under the long series of monthly assessments collected from 1643 down to the Restoration.[109] Responding to entirely traditional

[105] *Victoria County History, Wiltshire* (1957), v, 113–15; *Victoria County History, Herefordshire* (1908), i, 382–5; Hirst (1986), 177–9; Ashton (1984), 273–85; Barnes (1961), 205–39.

[106] Fletcher (1975), 202–30; Lake (1981), 44–71; Marcotte (1976), 137–72; Clifford (1982), 91–106.

[107] 16 Car. I c. 2 (1640).

[108] Rannie (1895), 471–506.

[109] For Parliamentary Civil War and Interregnum quotas: *Acts and Ordinances*, ed. Firth and Rait (1911), which explains how quotas (based on Ship Money) were determined and the taxes levied on individuals in proportion to assessments.

complaints about inequitable incidence across and within counties, the state revised quotas in 1649 and again in 1656 when it became clear that yields were slipping towards the stable stereotyped contributions to the Tudor subsidies and ancient fifteenths and tenths.[110]

Between 1660 and 1692, Charles II and William III persisted with direct taxation by quota but from time to time persuaded Parliament to legislate for taxes which, in law at least, reformulated the basis of liability and specified a rate of tax to be levied upon the 'realty' and 'personalty' of households. Parliament also seriously debated proposals for a revaluation of the tax base in 1670 but this radical proposal was never implemented.[111] Meanwhile, the quotas collected by counties continued to be based on the assessments of 1660 which in turn were linked to Ship Money, the subsidy of 1641 and information from other taxes. When revived, the subsidies of the Restoration period were constructed upon the stereotyped valuations used before the Civil War.[112] Although their rules offered local assessors opportunities under the law for bringing every category of wealth and income into the net of taxation, the range of incomes and households taxed continued to be circumscribed. Only the highly unpopular successes of this period—the hearth tax and graduated poll taxes—supplemented, widened and deepened the fiscal base for direct taxation.[113]

A fundamental change occurred, but even then only to a limited extent, in the charged and unusual circumstances of war between 1692 and 1697. William III appealed to the propertied classes to assess themselves at 20 per cent of their incomes or a rate of 4*s*. in the pound levied upon an accurate and fair valuation of their wealth and capacity to pay, regardless of income source and location.[114] In the early years of the war, from 1689 to 1692, the government had persisted with quotas based on the relative sums collected across and within counties under the assessment of 1677.[115] As the danger to the new regime increased and the possibility of a general excise came onto the political agenda, the House of Commons voted in 1692 by 226 to 148 for a 20 per cent levy on all incomes.[116] Under this important act (4 William and Mary c. 1) those with incomes and

[110] Quotas across the country were revised in 1649 and 1656: *Acts and Ordinances*, ed. Firth and Rait (1911), ii, 24–57, 1058–97.

[111] Grey (1769), i, 314–71.

[112] For Restoration subsidies: Chandaman (1975), 138–97.

[113] For poll taxes: Chisholm (1868–9), 900; Chandaman (1975), 138–97; D'Avenant (1771), i, 3–29. For hearth taxes: Chisholm (1868–9), 878; Chandaman (1975), 77–109; Sinclair (1803), i, 301; D'Avenant (1771), i, 19–51, 136.

[114] Tait (1924), xvii–xxxvii; Horwitz (1977); Luttrell, ed. Horowitz (1972), 61, 311–13, 340–1, 349, 419.

[115] The statutes are 1 Wm. & Mar. c. 3 (1689); 2 & 3 Wm. & Mar. 52 c. 1 (1690); 3 & 4 Wm. & Mar. c. 5 (1692). Beckett (1985), 285–308.

[116] Luttrell (1972); Grey (1769).

property above the exemption level were invited to ignore their past contributions to monthly quotas, to co-operate honestly in a process of reassessment and to contribute to the war effort and to the survival of the new regime in terms of their real capacity to pay. Some certainly complied, because the total amount collected went up immediately from £1.7 million to around £2 million and the data expose shifts in the proportions contributed by different counties compared with shares assigned to them under the stereotyped quota system that had operated from 1689 to 1691. Nevertheless, the amount of extra revenue raised must have disappointed the government, and outside London and Middlesex the change in relative shares contributed by counties hardly suggested that any widespread revaluation had taken place, even in the nation's hour of need.[117] For some five years thereafter Parliament continued to legislate for the proper and universal assessment of individual liability. Yields slipped down to £1.4 million in 1697 and there is almost no evidence of further shifts in relative incidence across counties. In other words, even during a war which threatened the security of the new regime, taxpayers continued to offer stereotyped and traditional contributions to the state.[118] Right at the end of the war, William III's ministers accepted the inevitable and reverted to quotas (9 William III c. 9 and c. 10) which were based on the amounts extracted from each county in 1692.

V

The brief experiment of inviting the propertied and richer classes to contribute to the needs of the state at war in proportion to their income and wealth had failed. Parliament and the king reverted to the ancient system of geographically defined contributions. The quotas established then continued to ossify right down to Pitt's bill for the redemption of the land tax in 1798.[119] Throughout the eighteenth century the land tax, as it came to be called, was levied as a quota upon valuations of the wealth and income of localities collected for the assessment of 1692 and formalized in 1698.[120] Amounts demanded by the government went up in wartime usually to 20 per cent and down in peacetime sometimes to a rate as low as 5 per cent of these stereotyped valuations. Eighteenth-century parliamentary and intellectual discussions about the Hanoverians' principal

[117] Andrews (1956), 33–45; Petty (1691), 103–4, 115; Waddell (1954), 35–42, 120–7; D'Avenant (1771), i, 32–61; Horwitz (1977), 320; *A Proposal for an Equal Land-Tax* (1691).

[118] For the quotas: 1 Wm. & Mar. c. 3; 2 Wm. & Mar. s. 2, c. 1; 3 & 4 Wm. & Mar. c. 5; 10 Wm. 3 c. 9; 11 Wm. 3 c. 2.

[119] Brooks (1974), 281–300; Brewer (1989), 95–100, 126–7, 147–9, 161, 200–3, 211, 216; *Annual Register, 1798* (1798), 218–21; Kennedy (1913), 123–4; *Historical Register, 1732* (1732), 289–300; Parker (1713); Chandler (1899), 1–12; Bourdin (1854), iii–viii, 1–22; Bourdin (1870), 1–20; Miller (1843).

[120] Ward (1953); Ginter (1982), 416–21.

direct tax then proceeded to turn into something of a restatement of nearly all the arguments that attended the far longer history of the fifteenths and tenths from 1334 to 1623. Critics pointed out that the initial valuations of 1692 reflected geographical variations in loyalty to the House of Orange and to the Revolution of 1688, in that the counties of the north and west (sympathetic to the Stuarts) opted to contribute less to the survival of a Protestant succession during the war against France than the loyal counties of the south and east.[121] Political bias built into valuations at the start of the land tax became more exaggerated with time because the values of land across the kingdom converged as agriculture became more integrated into a national market.[122] Furthermore, the regionally varied but accelerated rates of population growth, urbanization and industrialization over the eighteenth century pushed the real taxable capacities of British counties out of line with the already imperfect assessments of the 1690s.[123] Another complaint which once again echoed critiques of traditional direct taxes (the Tudor subsidy as well as the fifteenths and tenths) was that wealth and income from activities other than land, agriculture and the ownership of real property tended to escape proper assessment. According to all accounts, this direct tax became in incidence as well as in name a land tax and as such failed to tap the growing incomes of those engaged in industry, commerce, finance and other services.[124]

Proposals to correct anomalies and inequities built into the system (including a suggestion for a full-blown income tax in 1702) emerged from time to time but they all foundered on political resistance to any kind of objective revaluation and a total rejection of any suggestion that the assessment and collection of direct taxes be handed over to a department of state.[125] As Sir Francis Bacon had pointed out, 'the Englishman is most master of his own valuation of any nation in Europe', and the country's propertied classes stomached anomalies and inequities in order to preserve conditions of secrecy in relation to their incomes and wealth.[126] Confronted with a 'fiscal constitution' that gave them very little room for manoeuvre, Hanoverian ministers turned more and more to excise and customs which, happily for their aspirations, provided the extra money required to fund the kingdom's expansionist strategic imperial and commercial policies.[127]

[121] For the classic discussion of the inequality of the land tax between south-east and north-west England: Brand (1793).

[122] Turner (1984); Allen (1992), 38–44, 79–88, 90–1.

[123] Brand (1793); Ginter (1982); Bourdin (1870), Chandler (1899).

[124] Miller (1943); Chandler (1899).

[125] For the 1702 income tax plan: *Journals of the House of Commons*, xiii, 741–3; xiv, 34. For land tax reform proposals: Brand (1793); O'Brien (1988); [Drake] (1702); Parker (1713).

[126] Bacon's comment is in Dowell (1884), i, 200.

[127] O'Brien (1991).

Meanwhile, ministers persisted with the discredited land tax and pushed their demands up to a conventional ceiling in wartime and down again to the floor when peace returned. They also managed to supplement the Hanoverian state's armoury for direct taxation by designing new indices for the direct assessment of the 'personalty' of Britain's more affluent families. Hearths and the kind of movables prescribed in Tudor and Stuart subsidies had been abandoned as regressive and intrusive ways to tax proxies for their personal incomes upon a regular basis. New taxes, upon windows, houses, servants, carriages, riding horses and other minor but visible manifestations of a gentrified life, began by the 1780s to yield half as much again as the land tax.[128]

Throughout the eighteenth century, the political and intellectual antipathy to any fundamental reform of direct taxation remained all-powerful. That opposition was only overcome temporarily in a situation of dire national emergency when Pitt the Younger persuaded Parliament to accept the first income tax at a dangerous stage of the war against France in 1799.[129] Although Pitt and his successors as Chancellors of the Exchequer managed to introduce an element of centralized supervision into the process of assessing liability under the law, British householders with incomes above £50 a year continued to assess themselves and to declare their wealth to their local peers acting as unpaid commissioners for the towns and shires of the kingdom. By the early nineteenth century, the Board of Taxes and the Treasury had acquired some relevant knowledge and accumulated more experience on how to define personal liabilities for the taxation of landowners, rentiers, farmers, industrialists, merchants and other businessmen, as well as for salaried and skilled labour.[130] The Board sent 'surveyors' into the countryside. Nevertheless, the success of Pitt's income tax—which provided 28 per cent of the extra tax revenue required to fund the war against Revolutionary and Napoleonic France—owed less to the law and to Treasury supervision over local administration than to a widespread and increased willingness of the propertied classes frightened by the French Revolution to comply with the demands of their government. Thus only the armies of France and the possible collapse of public credit persuaded Englishmen to accept an income tax. Only the sustained threat to national security from Napoleon, and to their high stake in national wealth, persuaded the propertied classes to assess their liabilities to pay under the law within tolerable margins of accuracy and of fairness. At the Peace of Amiens in 1802, and more famously after Waterloo, they moved quickly and decisively, however, to repeal the first effective direct tax levied in British history.[131]

[128] For assessed taxes: O'Brien (1988), 11; O'Brien (1967), 328–51; Sinclair (1802–4).
[129] O'Brien (1967, 1988). [130] O'Brien (1959), 255–67. [131] O'Brien (1988), 1–32.

The oft-proclaimed principle that Englishmen (but apparently not Welshmen, Scotsmen or Irishmen) should contribute to the needs of the state in proportion with their ability to pay did not really enter the country's 'fiscal constitution' until the twentieth century. Although the rise of a powerful fiscal state nourished by indirect taxes and sustained by successful Mercantilism was delayed until after 1688, this development was not permanently frustrated by the proclivity of free-born Englishmen to evade their responsibilities for direct taxation. Such resistance to royal and central authority was effectively bypassed after 1688 by indirect taxes, which transformed the English state into a powerful instrument for British imperial expansion and the development of its highly successful market economy.[132]

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[132] O'Brien (1991); Kennedy (1988).

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CHAPTER 3

France in the Middle Ages

John Bell Henneman, Jnr

When we apply the modern term 'state finance' to France before 1789, we are usually referring to royal finance. When the concept is applied to the early development of royal finance, we find that the medieval monarchy was merely one of many political entities performing rudimentary state-like functions. Towns, religious orders and, especially, the great lay and ecclesiastical lords often functioned in this way, and all collected revenues. The king was one of the great lay lords, but not always the richest or most powerful. He was a consecrated figure who claimed regalian powers, but the bulk of his revenues was much like those of other lordships, differing only in degree. The medieval monarchy never exerted effective control over all parts of France and it is impossible to summarize briefly and clearly the geographical framework for the evolution of royal finance because the areas under royal control kept expanding and contracting. These areas are usually referred to as the 'royal domain', but this misuses a term that should refer less to a geographical entity than to a collection of rights, revenues and jurisdictions.

In the twelfth century, these royal lands were most heavily concentrated around Paris, Orléans and the intervening territory, and this area appears on political maps as the royal domain. This so-called 'domain' was surrounded by comparable entities such as Flanders to the north; Normandy, Brittany, Anjou and Poitou to the west; Champagne to the east; and Burgundy to the southeast. In all of these, a count or duke had his own 'domain' comprising various rights, revenues and jurisdictions, usually containing enclaves of other lordships of widely varying size and autonomy. The effective power of the ruler over these lordships fluctuated over time and could change dramatically when one party to a feudal relationship was a woman or a minor or faced a disputed succession.

When the king gained control over any of these territories, he took over the

rights, revenues and jurisdictions of the count or duke as well as whatever feudal relationships the latter may have had with the lesser lords of the region. Normandy, where ducal power had been strongly entrenched, was a much more valuable royal acquisition than other lands which were more weakly governed. The French kings succeeded in adding a large geographical area to their territorial 'royal domain' between 1190 and 1230, but soon granted much of it to younger sons, to be held as princely apanages. Sometimes these reverted to the crown within a generation or two; sometimes they remained in the hands of a cadet branch of the royal family for an extended period. Among the peripheral regions, Flanders never came under royal control; Gascony (Guyenne) only in 1453; and Brittany only after royal marriages in 1491 and 1499. In Burgundy, relatively weak ducal power culminated in considerable royal control by the mid-fourteenth century, but after becoming an apanage in 1363 and later being linked to Flanders in 1384, Burgundy had become virtually a foreign country by the fifteenth century.

Some areas outside royal control had fiscal histories of their own, but we are entitled to focus on the monarchy because it eventually became synonymous with the state. The territorial royal domain reached its greatest extent in 1327–8, when a royal census excluded only a few areas—Flanders, Gascony and Brittany, the four small apanages then in existence, and just two other territories (Blois and Burgundy) whose rulers were, in fact, closely connected to the king by marriage. Yet the king could not wield uniformly effective fiscal authority throughout the vast territory included in the census. Political, familial and strategic considerations caused significant variations, as did differences in law and custom.[1] One important line between legal traditions roughly followed a linguistic frontier between the French-speaking part of the realm (Languedoïl) and the Occitanian regions south of the central plateau and the Dordogne river (Languedoc). By 1400, however, Languedoc was no longer a generic term for the Occitanian south but tended to refer only to the three districts (Beaucaire–Nîmes, Carcassonne and Toulouse) that were left in royal hands after the treaties of 1360 and developed certain distinctive fiscal traditions.

I

The history of the French state, and therefore of its finances, is the history of the process by which the crown gradually outstripped the other lordships in jurisdiction, resources and military might. The evolution of royal finance began with

[1] See the discussion in Henneman (1971), 8–9.

resources that were seigneurial in nature. Firstly, these began to be managed more efficiently and were applied to a larger geographical area. Then they were supplemented by additional kinds of revenue that were available only to a few of the other lordships. Finally, they were dwarfed by entirely new revenues, based on new principles and administered by new institutions, in which we can discern the earliest forms of modern taxation. This evolution of the revenues themselves and also the administrative apparatus for managing them occurred gradually over many generations, with some important developments occurring as *ad hoc* responses to emergencies. By the fourteenth century, a similar process was under way in a few non-royal areas whose prince had considerable autonomy, such as Brittany and Burgundy, where the ducal fiscal systems evolved in ways remarkably similar to the royal finances.[2]

The king's main seigneurial revenues consisted of rents, dues and commuted services on rural estates; the proceeds of monopolies (*banalités*); extensive forest rights; tolls on commerce; fines and fees from the administration of justice; and profits from the minting of currency. None of these was uniquely royal, but some of them (like those from the mints) were available only to the greater lords.[3] The king also could draw on his position as a feudal lord, requiring unpaid military and court service from his men, but actual revenues from this source were only occasional in nature until the late thirteenth century. These seigneurial revenues depended very heavily on the agrarian economy and the market in agricultural produce. They became increasingly valuable during the twelfth century, partly because Louis VI (1108–37) had pacified lands formerly ravaged by endemic violence and partly because the century as a whole was marked by prosperity and economic growth. Scattered evidence indicates a further rise in seigneurial revenues during the thirteenth century and suggests continuing economic growth, although the pace slowed in the latter part of the century. There seems little doubt, as we shall see, that economic crises in the fourteenth and fifteenth centuries had a considerable impact on traditional royal income, but the loss of most financial accounts makes it impossible to assemble reliable statistics on royal receipts and expenditure. Some scholars have made painstaking efforts to produce plausible estimates, but their figures, cited in this chapter, leave a considerable margin of error.

In the prosperous twelfth century, the crown employed officers called 'provosts' (*prévôts*), who farmed the revenues of the domain and seem to have kept some sort of accounts. They came under the occasional scrutiny of itinerant officials called 'bailiffs' (*baillis*). This very rudimentary system underwent significant change after Philip II (1180–1223) decided to go on crusade. Philip's

[2] Dubois in Genet and Le Mené (1987), 91–100; Kerhervé (1992).

[3] Lot and Fawtier (1957–62), ii, 99–179; Henneman (1971), 17–19.

ordinance of 1190 required that the provosts and bailiffs maintain regular accounts and submit them three times a year to an auditing board consisting of two royal officials and six bourgeois of Paris.[4] Surviving accounts for the year 1202–3 make clear the importance of this ordinance. The accounts established a distinction between regular revenues reported by the provosts and those of an occasional nature. It has been calculated that the ordinary revenues of the monarchy at this time were about 115,000 Paris pounds (*livres parisis*) and that these had increased by 50 per cent since 1190 and by 72 per cent since the beginning of Philip's reign. The expenses of government in the localities had to be subtracted from the gross receipts, but when this was done, Philip II had an estimated balance of 60,000–75,000 Paris pounds to deposit in the Temple in Paris and to draw upon for household expenses and warfare.[5] Expanding royal authority and more efficient administration thus brought Philip II considerably increased revenue even before the great territorial additions that occurred after 1204. From a partial account of 1221, Baldwin has estimated that towards the end of the reign ordinary revenues had risen by another 79,000 Paris pounds (or by 69 per cent).[6]

The estimated ordinary revenues of 1221 amounted to around 243,600 *livres tournois*, fairly close to the annual average estimated for the period *c.*1250 (about 250,000 *livres tournois*).[7] By that time, however, additions and subtractions of royal lands had changed the territorial base of the domain. In lands that had remained royal for an extended period, domainal receipts continued to show a strong increase, either because of economic growth or because of administrative improvements and the closer scrutiny of accounts. By the 1240s, the provosts of the domain were fully subordinate to the bailiffs who were established local administrators governing districts called 'bailiwicks' (*bailliages*). From the reign of Louis IX (1226–70) their accounts recorded the regular revenues of the domain.[8]

The crusade of Louis IX in the mid-thirteenth century caused the next substantial change in the management of the royal finances. This expedition (made more expensive when Louis had to be ransomed from captivity) eventually cost the king about 1.5 million *livres tournois*, very little of which could be taken from ordinary revenues, which were needed for the expenses of the domestic government.[9] To find the money he needed, Louis exacted special levies on certain

[4] The term *bourgeois de Paris* has a particular legal significance; here and elsewhere it is used as synonymous with urban citizen or town-dweller, that is, someone who enjoyed the rights of citizenship.

[5] Baldwin (1986), 145–65. The *livre parisis* became less widely used than the *livre tournois*. The conversion was usually 1 *sol parisis* = 15 *deniers tournois*; there were 12 *sols* in the *livre*, whether *parisis* or *tournois*. To avoid confusion, the *livre parisis* is referred to here as the 'Paris pound'. [Ed.]

[6] Baldwin (1986), 240–5.

[7] Jordan (1979), 79. [8] Ibid. 94. [9] Ibid. 78–9.

kinds of people—called 'occupational taxes' by Strayer and *prélèvements catégoriels* by Cazelles.[10] He extracted money from the Jews (who had already faced royal extortions under his two predecessors) and from the prosecution of heresy. He obtained enormous sums from the French church, which found it difficult to refuse to support a *bona fide* crusade but still offered resistance. The towns also paid heavy special taxes which were important in paying for the king's ransom.[11]

The crown could continue to manage on ordinary revenues and occasional extraordinary levies as long as the latter were infrequent and truly extraordinary, and as long as economic conditions favoured seigneurial revenues. Gradually, however, these circumstances changed in ways that caused a crisis in royal finances. Regular royal expenses had largely been limited to the royal household, charitable donations and salaries for a modest administrative staff. The institutions of justice, finance and domainal administration grew more elaborate and expensive, however, and ambitious foreign policies in the Empire and the Mediterranean required new expenditure. The agrarian economy entered a period of recession towards the end of the thirteenth century, bringing stagnation to seigneurial revenues while the cost of industrial products such as military equipment continued to rise.[12] It was, above all, the increased level of warfare that caused royal expenses to soar. Philip III (1270–85) conducted expensive campaigns in Languedoc and Aragon that left Philip IV (1285–1314) in financial difficulties from the outset, despite ordinary revenues that averaged over 400,000 *livres tournois* around 1290.[13] To find additional resources, kings sought to exploit their position as supreme feudal suzerain. They exacted more systematic payments when fiefs changed hands, particularly when they came into the hands of a non-noble or a corporate body. They sought to generalize the old occasional feudal 'aids' collected when a lord knighted a son, married off a daughter, had to ransom himself or undertook a crusade.[14] They began borrowing heavily, not only from foreign merchant bankers but also by taking forced loans from wealthy bourgeois, as Philip IV did in 1293.[15] Finally, Philip IV acquired great notoriety by manipulating the currency to increase mint profits, a highly

[10] Strayer and Taylor (1939), 17; Cazelles in Genet and Le Mené (1987), 204.

[11] Jordan (1979), 78–93.

[12] Bois (1976), 241–50.

[13] Fawtier (1936), xlviii–liv, indicates receipts in the royal account at the Treasury for 1289–92, from which have been deducted items that were not ordinary revenues. The four-year average, when converted to *livres tournois*, came to 403,618. It is generally agreed that figures based on receipts at the Treasury are incomplete. Favier (1978), 185, is probably accurate in saying that revenues from Philip's domain did not surpass 450,000 *livres tournois*. That they even approached such a figure in a time of strong currency is quite remarkable.

[14] Strayer and Taylor (1939), 43, 77–81; Favier (1978), 170–3; Brown (1970). The articles of this author cited in these notes have been reprinted conveniently in Brown (1991).

[15] Strayer (1980), 150.

unpopular measure that could bring in more money than an entire year's seigneurial revenues.[16]

II

The money-raising schemes explored by Philip IV became most important after 1294, when the outbreak of Anglo-French war ushered in a new and difficult era in the history of French royal finance—the age of the war subsidy—that would last for more than sixty years.[17] For about a century, the crown had, on occasion, financed a particular military campaign by levying *aides de l'ost* based in principle on the commutation of required military service. Levies for military purposes, now known as war subsidies, became increasingly recurrent after 1294 and ceased to have a truly extraordinary character. They became highly controversial and aroused considerable discontent until, in 1356, the capture of the king (John II) led to the establishment of regular taxation. These six decades were a critical period of transition from royal dependence on mostly seigneurial revenues to an era of taxation based on the needs of a sovereign state.

Legal writers at this time argued that the king exercised sovereign powers as 'Emperor in his own kingdom' and could demand subsidies in cases of 'evident necessity' for the defence of the realm.[18] Philip IV invoked this principle several times in the 1290s, attempting to collect an unpopular excise tax and several important levies based on income.[19] Although the rates were low, the frequency and perceived novelty of these taxes aroused hostility, particularly among those who distrusted the king's claim that they were justified by necessity. To the non-lawyer, the king's power was based on the feudal-seigneurial tradition: he was the supreme suzerain of the realm. In this role, he could require aid in military emergencies, but the assistance could take the form of personal service. Earlier *aides de l'ost* or war subsidies had generally taken the form of finances in lieu of personal service, and beginning in 1302 Philip IV adopted this basis for levying taxes.[20] It was slower and more cumbersome but more acceptable politically and it tied taxation more closely to a genuine state of war, requiring a general call to arms before collections could begin. The king had to spend a certain amount of money before collecting any from his subjects. For a war in Flanders in 1304, Philip collected an impressive 735,000 *livres tournois*, but in the next half century subsidies generally produced very much less.[21]

[16] Strayer (1980), 152, citing Borelli de Serres (1895–1909), ii, indicates mint profits of 1.2 million *livres tournois* in the fiscal year 1298–9.

[17] See Henneman (1971), *passim*, esp. 303–7.

[18] Ibid. 22–4, and extensive notes.

[19] Strayer and Taylor (1939), 45–56.

[20] Ibid. 59–75.

[21] Ibid. 74–5; Henneman (1971), esp. 308–10.

The attitude of most Frenchmen towards royal finance during the age of the war subsidy was marked by two characteristics: firstly, by a stubborn refusal to pay subsidies in times other than outright war; and secondly, by a tendency in practice to invert the teachings of the legal theorists on the right to tax. Legists argued that the king could determine when an emergency justified taxation, but required him to obtain in some procedural way the consent of those whose rights were affected. French taxpayers (other than the clergy) showed little interest in consent if the 'necessity' was indeed 'evident'. If they doubted the king's claim of necessity (often because they defined it in much more local terms than he did), they resisted taxation strongly. What they wanted was to give counsel on the need for a tax when the matter was in doubt, not the right (or duty) to consent to taxes that were obviously justified. Representative assemblies, particularly central assemblies of the Estates, had been rare in France, and the revival of such meetings in the first quarter of the fourteenth century was mainly a royal effort to obtain favourable endorsement ('good counsel') for potentially controversial policies.[22] There was little interest in making these meetings act as consenting bodies; the crown, not the Estates, would have benefited from doing so in this period.

Royal finance became a significant political issue because different methods of raising money affected economic groups in different ways, and the politically articulate elasses seemed well aware of their economic interests. Those capable of exerting influence included the middling and upper bourgeoisie, corporate bodies claiming traditional 'liberties', the ecclesiastical lords and, especially, the nobility, among whom economic circumstances varied considerably.[23] Except when influential debtors felt threatened by actions against usury, it was fairly safe politically to extort wealth from unpopular minorities or suspiciously wealthy royal officers, and it might settle old scores. Manipulation of the currency for profit tended to involve inflationary debasements of the coinage that may have helped debtors but were anathema to rural lords with fixed incomes. Taxes on wealth (income or capital) were opposed by the same people but because they had little effect on movables they did not trouble most bourgeois. On the other hand, the more easily collected taxes on articles of consumption weighed more heavily on the towns and their merchants (and on the poor). These were favoured by the nobles and clergy. The king did not have total freedom in selecting councillors: political, economic or military conditions could lead to important changes in the personnel who shaped royal policies. Cazelles has argued persuasively that stable coinage and indirect taxes coincided with times when those who favoured the prevailing socio-economic order

[22] Henneman (1971), 320–9.

[23] Cazelles in Genet and Le Mené (1987), 205–6.

were able to dominate policy, but that this approach worked only when demographic crisis, military violence or political disorder were stifling economic opportunities.[24]

The age of the war subsidy quickly brought into full focus the ambiguous position of the clergy. Reluctant contributors to the king's resources even under St Louis, the clergy grew steadily more restive. It was not clear whether they had financial obligations as royal subjects or strictly as members of the international Church. In 1296, Boniface VIII forbade them to contribute to the Anglo-French war. A swift and hostile royal response on both sides of the Channel led the Pope to agree that it was legitimate for clerics to contribute to the defence of the realm.[25] The French prelates, while generally supporting their king, insisted (unlike most other Frenchmen) on their right to consent to any tax requested by the crown. Philip IV and his successors managed to obtain 'clerical tenths' with great regularity, but as they found that their clergy could drive a hard bargain they began to think it preferable to obtain consent from the friendly French-speaking Popes who reigned after 1305.[26]

The war also led Philip, like his English rival, to raise money by taxing exports. The first such tax, known as *haut passage*, amounted to the sale of licences to be exempt from ordinances prohibiting the export of wool or cloth.[27] The king continued borrowing, but in the years of peace after 1305 he damaged the long-term availability of credit by ruthless measures aimed at seizing large sums from politically vulnerable groups—Italian moneylenders, Jews (whom he expelled from the kingdom) and the Templars (whom he destroyed).[28] To have adequate credit and facilitate the collection of the numerous revenues he was pursuing, Philip gave important financial responsibilities to the Guidi brothers, representatives of the Italian banking house of the Franzesi. These two bankers, known to Frenchmen as 'Biche' and 'Mouche', played a prominent role for about a dozen years until they both died in 1308. Thereafter, with Enguerran de Marigny playing a key role in the management of the royal finances, the crown made rapid strides in improving its financial institutions. The Treasury, organized as a bank like its predecessor the Temple, became the repository for royal funds. The auditors who first appeared under Philip II had now become a specialized group of accounting experts, to be constituted formally as the Chamber of Accounts (*Chambre des Comptes*) in 1320.[29] Finally, the customs

[24] Cazelles in Genet and Le Mené (1987), 206–7.

[25] Strayer and Taylor (1939), 28–31.

[26] Ibid. 25, 31–43; Henneman (1971), 29 (see also index for subsequent clerical tenths).

[27] Bigwood (1936, 1937).

[28] Strayer and Taylor (1939), 17–20, 42–3; Langlois in Lavisse (1900–11), iii pt. 2, 180–230; Henneman (1969), 26–7.

[29] Strayer (1980), 156–7, 172–86; Lot and Fawtier (1957–62), ii, 240–6.

service (*ports et passages*) began to take shape under Pierre de Chalon, collecting a second tax, the *droit de rève*, which levied 4 *deniers* per *livre* on the value of exported merchandise.[30]

Having incurred resentment with his numerous fiscal expedients in the years without war between 1305 and 1313, Philip IV next required a war subsidy in 1313 for a campaign in Flanders. When the actual conflict was averted, he cancelled the tax and returned what he had collected. This precedent proved embarrassing a year later when last-minute negotiations halted a second campaign. This time the crown had incurred considerable military expenses and therefore continued to collect a subsidy, provoking widespread rebellion.[31] Late in 1314, Philip died, and his three sons had short and politically troubled reigns. Louis X (1314–16) and Philip V (1316–22) first used representative assemblies to persuade the public that taxes were needed. For a time, this tactic helped the crown collect war subsidies, but in 1321 it utterly failed to produce a tax in peacetime.[32] Assemblies for fiscal purposes went into eclipse.

In the next fifteen years, occasional brief conflicts justified occasional war subsidies, but royal financial practices more closely resembled those of the years 1305–13. Charles IV (1322–8) leaned heavily on loans, extortions from Jews and Italians, and mint profits obtained by weakening the currency. The fourteenth-century slump in seigneurial revenues was now under way and Charles received average net ordinary revenues of around 281,500 *livres tournois* which, when corrected for fluctuations in the currency, amounted to only about 53 per cent of what his father had enjoyed thirty years earlier. The accession of Philip VI (1328–50) brought the vast apanage of the Valois family into the royal domain, but his ordinary revenues, when adjusted for the value of the currency, amounted to only 80 per cent of those available to Philip IV.[33] Philip VI was compelled by political opposition to cease manipulating the coinage for profit, but he did attempt to collect feudal aids for the knighting of his son and the marriage of his daughter. A similar attempt by Philip IV twenty years earlier had provoked a storm of litigation and Philip VI did not achieve much greater success in the 1330s.[34] Finally, Philip VI continued certain expedients that can best be described as extortion—fines for infringements of royal rights, assessed by special commissioners of enquiry (*enquêteurs-réformateurs*), and the confiscation of the debts owed to moneylenders. This last activity,

[30] Henneman (1971), 42–3; esp. Strayer (1964), 334–9.

[31] Brown (1981), 109–12; Brown (1972).

[32] Taylor (1938), 295–301; Strayer and Taylor (1939), 116–36, 144–5; Taylor (1939); Taylor (1954), 435–48; Taylor (1968), 227–44; Brown (1971*a*), 282–99; Brown (1971*b*).

[33] Henneman (1971), 348.

[34] Ibid. 90–107; also sources cited above, n. 13; Brown (1974).

which was very important towards the end of the reign, must have had a disastrous effect on credit.[35]

The so-called 'Hundred Years' War' with England began in 1337 with indecisive skirmishing that made it hard for Philip VI to persuade his subjects that the situation justified payment of subsidies. He resumed manipulations of the currency and continued some of the old expedients, irritating influential groups without really improving his finances. The inability to collect subsidies except in time of outright conflict meant that France was always unprepared militarily at the end of a truce.[36] In 1345, when yet another truce was scheduled to expire, the crown tried a new approach in hopes of overcoming this chronic shortage of funds for military preparations. The government asked each region to support a given number of men-at-arms, funding their salaries with a tax of its own choosing, collected by local people.[37] This plan failed to elicit much interest and, still poorly prepared, the French armies suffered several significant defeats. At the end of 1347, the Estates General finally found the royal plan attractive and endorsed it. Collection of substantial taxes based on this principle was disrupted by the Black Death of 1348, which ruined not only a large subsidy but also one in which the Estates General had finally played a crucial role.[38]

As the kingdom gradually recovered from the effects of the plague, subsidies began to achieve somewhat more uniformity along regional lines. In Languedoïl, local or regional assemblies of Estates tended to grant indirect taxes that would run for a year without reference to the actual military situation. In Languedoc, representatives of the towns preferred to grant subsidies as lump sums apportioned among the municipalities of a district according to their number of taxable 'hearths' (which at this time meant the number of pre-plague households). Although granted more frequently than the northern subsidies, these payments continued to reflect local perceptions of military danger. Consequently, they remained rather light until a destructive English raid reached lower Languedoc in 1355.[39] Royal revenues still failed to provide for an adequate level of military preparedness, and John II (1350–64) faced increasing financial distress. His alterations of the currency and his unpopular officials aggravated existing discontent, especially among the north-western nobility. Along with various reformers, these nobles looked for leadership to the Évreux branch of the royal family, headed by the king's son-in-law, Charles II of Navarre, who

[35] Henneman (1968*b*); Henneman (1971), 27–115. On the decisive action against Italian moneylenders and their debtors that began in 1347: Secousse et al. (1723–1849) ii, 418–20, and the discussion in Henneman (1969), 35–43.

[36] For a detailed discussion of this period, with supporting sources: Henneman (1971), 116–84.

[37] B[ibliothèque] N[ationale] Collection Languedoc 84, fos. 290–1; Varin (1843), ii, 949–51.

[38] Henneman (1971), 182–227; Henneman (1968*a*), 405–16, 428.

[39] Henneman (1971), 239–63, 272–9.

held important lands in Normandy. The intrigues of this erratic prince eventually alienated most reformers, but his opposition to the crown disrupted Normandy for a decade (1354–64) and further undermined the government's fiscal position.[40] The English campaigns of 1355 and 1356 were as successful as those of a decade earlier but with two crucial differences: the Estates General failed to unite on a policy to remedy the financial situation and the king was captured in battle.

Just as they had done eight years before, the Estates met in Paris in December 1355 and authorized taxation to support a specified number of mounted troops. This assembly, however, tried to control the form and collection of the taxes instead of leaving these matters to regional assemblies that were sensitive to local particularism. The attempt to impose uniform indirect taxes throughout Languedoïl ran into immediate opposition, especially in the towns, and subsequent meetings of the Estates in 1356 substituted direct taxes that increased the tax obligation on wealthier nobles. None of these assemblies, however, made concessions to local autonomy and the Estates were unable to produce the money they had promised.[41] They had lost much credibility by the time that John II was captured at Poitiers in September. This disaster ushered in a new era in French fiscal history.

The decades preceding the king's capture had been notable for a wide variety of fiscal experiments and much debate over royal finance. Although the government set forth theoretical claims to new sources of revenues, it always pursued a pragmatic policy, doing whatever seemed necessary to obtain money. One effect of this pragmatism was to disguise novel or controversial royal taxes by replacing them with payments to local jurisdictions. When, for instance, a town or district offered the king a sum of money, in lieu of military service, in response to royal fiscal demands or to buy off commissioners investigating municipal malfeasance and excesses of jurisdiction, the crown received the desired payment, but those who contributed paid taxes only to the local authorities and had no contact with royal agents. The burden was no less onerous, and perhaps even more inequitable, but taxation in this guise was more compatible with tradition and more acceptable to the urban elites. The same pragmatic approach led to various forms of revenue-sharing. Important lords and towns might contest the king's right to tax those who were under their jurisdiction, but they needed royal permission if they wished to exact extraordinary payments from these people for themselves. Consequently, we find arrangements whereby either the king or the lord would tax the lord's men, with the other receiving a portion of the proceeds. Similarly, fiscal transactions between the

[40] Ibid. 264–72, and nn.

[41] Ibid. 282–302, and nn.

monarch and the towns often enabled the latter to collect important sums on their own account. All these revenues contributed to the defence of the realm for which the king was ultimately responsible, since the towns financed repair of their fortifications while lords were now able to supply better-equipped troops to the royal army.[42] As Chevalier has pointed out, the emerging royal fiscal system soon was paralleled by a municipal fiscal system.[43] The line between them was very blurred at first, and the relationship between the two systems would undergo important changes after 1356.

III

The capture of John II in 1356 was the most decisive single event in the history of medieval French taxation. On the one hand, it created a political situation in which the Estates General became discredited as a part of the tax-raising process. On the other hand, it led directly to the establishment of permanent and regular taxation, firstly because the king had to be ransomed, and secondly because the kingdom had to finance measures against the unruly troops left unemployed by the ensuing truce and treaty. Having already raised doubts about their ability to produce the taxes they promised, the Estates from October 1356 to February 1358 declined to deal with the problem of securing the king's release. Instead, they advanced a mixture of constructive reforms and private vendettas. They granted high taxes for prosecuting the war, steadily increasing the burden on the nobility and assessing wealthy bourgeois more heavily than in the past. In the absence of financial records, we may question whether much of the money was actually collected. Nobles began to boycott the recurrent meetings, which fell increasingly under bourgeois domination and tended to pursue class interests. Both the royal government (represented by the dauphin who would later reign as Charles V) and the nobility lost confidence in central assemblies. They began to bury their own differences and draw together politically, embracing some of the more popular reform proposals.[44]

The treaty securing John II's release, concluded and ratified conditionally in

[42] For evidence of the king receiving a share of a municipal tax: Lemaire (1888–1918), ii, nos. 511, 552; A[rchives] N[ationales] J 384, no. 1; AN JJ 75, no. 414; BN nouv. acq. françaises 7389, fos. 202^{r}–203^{v}, and notes of Jules Viard in AN AB xix 2640. For examples of municipal governments retaining a share of a royal subsidy: Le Maire (1888–1918), ii, nos. 548, 589, 624; AN P 2291, p. 809; AN PP 117, p. 533; A[rchives] d[épartementales], Pas-de-Calais, A 593; BN Collection Clairambault 212, no. 103; BN MS français 25700, nos. 87, 99, 103. For examples of lords retaining part of a royal subsidy in their lands: AN K 42, no. 4; K 43, no. 9; BN nouv. acq. françaises 3637, no. 49; 3653, nos. 100, 108; 20026, no. 22; BN MS français 25997, nos. 362, 363; BN Collection Languedoc 159, fo. 56^{r}.

[43] Chevalier in Genet and Le Mené (1987), 137–52.

[44] Henneman (1976), 21–83, and nn.

1360, required a large ransom that could be paid only by means of heavy annual taxes, the first to be levied in peacetime over the entire realm. The ordinance of 5 December 1360, a landmark in French fiscal history, established the financial arrangements for this ransom. It marked a political triumph for the great landed interests who represented the status quo in French society. It established a stable currency that would remain virtually unchanged for twenty-five years and experience only minor modifications in the ensuing quarter-century. It also imposed taxes on articles of consumption that bore primarily on the urban population and affected the poor more than the wealthy. One of these, the *gabelle*, was a special tax on salt that the crown had levied occasionally since the 1340s in the face of opposition. The other taxes were called the *aides*, an appropriate term for payments to ransom one's feudal lord. Since they would be collected in all but two of the next fifty-seven years, however, *aides* became the common term for general indirect taxes. For most commodities, they amounted to a 5 per cent tax on the value of all transactions, but a special rate was imposed on wine—originally a 'thirteenth' (about 8 per cent) but soon raised to 25 per cent on retail sales.[45] Indirect taxes of this sort (although at lower rates) were reasonably familiar to Languedoïl, but they were highly unpopular in Languedoc, where it was customary to establish the amount of a royal subsidy and then apportion it among the towns on the basis of their taxable hearths. By 1362, the southern towns negotiated an agreement to replace the *aides* with an equivalent tax assessed in the manner to which the region had become accustomed. This action had the effect of creating a customs barrier between northern and southern France. To prevent evasion of the *aides*, it was necessary to impose a new duty of 5 per cent, called the *imposition foraine*, on all goods exported from the parts of France where the *aides* were in force.[46]

These taxes for the royal ransom were the heaviest imposed on the French kingdom up to this point. They were collected over a period of years in which the kingdom was at peace and were paid by a population diminished by plague and ravaged by war. Yet they encountered very little opposition. A revolution in royal finance had truly taken place. One reason for this revolution was that nobody was prepared to deny the need for the taxes. The return of the king and a treaty to end the war with England easily met the criterion of 'evident necessity' that the legists claimed could justify extraordinary taxation. The taxes were equally justified by the less academic legal tradition of feudal obligations. The duty to help ransom one's lord was well recognized.[47] Another reason for the

[45] The ordinance (discussed in some detail, ibid. 117–22) is found in Secousse et al. (1723–1849), iii, 433–42.

[46] Henneman (1976), 162–70.

[47] Henneman (1972).

success of these taxes lay in the development of improved institutions. The public had become suspicious of those bodies originally established to deal with the king's seigneurial revenues, suspecting that royal officials were embezzling or mismanaging receipts. Many of the revenue-sharing schemes had been designed to bypass the existing financial administration, and Philip VI's proposal in 1345 that each region choose its own method of financing its quota of troops had a similar intention. Over the next fifteen years, assemblies of Estates at various levels began requiring that subsidies be collected by persons appointed (*élus*) by the assembly, with the proceeds to be audited by a group of *généraux surintendants* and sent directly to the war treasurers who paid the troops. When the crown established the *aides* and *gabelles* in 1360, it built upon these precedents and established *élus* as new royal officers in the localities. The central auditing board went through several changes of name, but the word *généraux* was always part of the title. Under Charles V and Charles VI, these officers (three or four in number) were known as 'councillors-general of the aids' and they wielded great power over royal finances as the new taxes became an increasingly important part of the king's revenue. Towards 1390, they acquired judicial functions as the *Cour des Aides*.[48] The new structure, separate from but parallel to the older institutions that administered the shrinking resources of the royal domain, answered the reformers' demand for a more efficient and accountable administration.

One stipulation attached to the *aides* and *gabelles* was that no other taxes would be levied while they were in force. This brought to an abrupt halt the nascent system of municipal taxation and the revenue-sharing arrangements of the past decade. This stipulation could not prevail for long because the kingdom faced a severe crisis brought on by the depredations of the *routiers*, soldiers left unemployed by the cessation of Anglo-French hostilities. The problem had appeared soon after the battle of Poitiers, but it became acute in the 1360s. Towns needed money to complete fortifications and, in the absence of an effective royal response, to hire troops of their own or to buy off brigands who occupied a local stronghold and ravaged the surroundings. The government soon began to authorize towns or territorial lords to retain a portion of the *aides* and divert the money to local defence.[49] It also had to acquiesce in a considerable amount of self-help, letting local or regional assemblies impose

[48] Lot and Fawtier (1957–62), ii, 275–81; Henneman (1976), 291–2, and nn.

[49] Chevalier in Genet and Le Mené (1987), 137–42. For examples of authorizations for the towns to retain a part of the *aides*: Delisle (1874), nos. 18, 36, 52, 60, 156, 181, 183, 196, 208, 222, 225, 234, 243, 274, 283–5, 291, 292, 337, 339, 388, 417, 424, 459, 482, 487, 492, 543, 548, 585, 601, 627. For similar arrangements with important lords: ibid. nos. 536, 714, 881; BN MS français 20412, nos. 40–1; BN MS français 25700, nos. 124, 129, 130.

short-term special taxes on their own populations, over and above those for the ransom.[50] This practice continued to prevail in Languedoc for years, but in Languedoïl these local initiatives gave way to a national effort towards the end of 1363.

The Estates General, meeting in December, agreed to an important new tax known as the *fouage*. It was to produce an average of 3 *francs* per hearth (that is, per household), but assessments were graduated from 1 *franc* to 9 so that the wealthier households would pay more than the poor ones.[51] Direct taxation of households, apportioned on the basis of estimated ability to pay, was to become a long tradition in French royal finance. Unlike the *aides* which affected primarily the urban population, the *fouage* bore on the rural lordships as well. With one brief interruption, it was collected until 1380, usually by the same personnel who administered the *aides*. It was not popular with the nobles because they were subject to it, but they did not raise much opposition, for one very good reason. The sole purpose of the *fouage* was to pay military salaries, dealing with the *routiers* by putting the most effective fighting men on the royal payroll and creating, in effect, Europe's first standing army. With such a force available, it was possible to subdue or drive out the remaining freelance warriors and to overcome, at last, France's chronic lack of military preparedness. In the spring of 1364, the new army crushed the forces of the Évreux faction in Normandy, and it made the reign of Charles V (1364–80) a military success. This army, which was supposed to number 6,000 men but actually contained between 3,400 and 5,200 men under Charles V,[52] consisted mainly of nobles. For those whose seigneurial capital and revenue had been decimated, royal salaries were the only alternative to brigandage. By employing them and restoring some order to the ravaged countryside, the new army was doubly advantageous to nobles. Although they were subject to the *fouage*, the overall effect of this new tax was to transfer wealth to the middling and lesser members of the military class.[53]

The definitive birth of state finance in France occurred, therefore, in the early 1360s. The inhabitants of Languedoïl paid the *aides*, *gabelle* and *fouage*. Those of Languedoc paid the *gabelle*, plus apportioned municipal taxes to substitute for the *aides*, and occasional (often heavy) additional apportioned taxes to pay troops to fight brigandage. Finally, goods leaving the region of the *aides* were subject to the *imposition foraine*. As Chevalier has noted, this system was designed to spare nobody but also to crush nobody.[54] Compared to the very

[50] Henneman (1976), 133–225, for many scattered examples.
[51] Ibid. 225–8.
[52] Contamine (1971), 136–8.
[53] Contamine in Fowler (1971), 151.
[54] Chevalier in Genet and Le Mené (1987), 139.

light, but hotly disputed, taxes attempted during the age of the war subsidy, the burden imposed by the new fiscal system was a heavy one. In what may be an extreme case, the inhabitants of Montpellier paid twenty-one times as much per taxable hearth in 1368 as they had in 1328.[55] The new taxes are thought to have produced around 1.65 million *livres tournois* a year in the 1370s, a sum that amounted to two and a half times Philip IV's large war subsidy of 1304 when adjusted for currency changes. In the same period, the disastrous collapse of the seigneurial economy had reduced the king's ordinary revenues to less than 3 per cent of total royal receipts.[56]

IV

Although the French populace paid these taxes with surprisingly little resistance, they did so only because their sense of necessity seemed to justify the burden. The military successes of Charles V's reign slowed down and ended in stalemate after 1375, and when the heavy taxes continued to be levied, a violent anti-fiscal reaction occurred in the years 1379–84. Nearing death in 1380, Charles V decided to annul the *fouage*, and his brothers, on behalf of young Charles VI, soon had to annul the other taxes as well and then enter into lengthy negotiations with various assemblies to obtain new taxes in 1381.[57] The setback, however, proved to be temporary. The *aides* and *gabelles* were back in force in 1382, and although brief rebellions against them had to be crushed, they remained in force for another thirty-five years. The *fouage*, which affected the nobles and the ravaged countryside, remained in abeyance, but its successor appeared as early as 1384 when the crown began to levy occasional extraordinary taxes called *grandes tailles*. Although first imposed as a surtax on the *aides*, the *taille* became an apportioned direct tax that resembled in most respects the *fouage* of Charles V. Unlike the *fouage*, however, the *taille* continued for several decades to be an occasional tax like the old war subsidy, geared to some specific purpose.[58]

The fiscal system of the 1360s thus largely survived the violent reaction of the early 1380s, although it lacked the stability afforded by the annual collection of the old *fouage*. The reign of Charles VI, however, was from the outset disturbed by political factionalism and by the desire of those who controlled the government to attract supporters, a situation that became severely aggravated after the first onset of the king's chronic insanity in 1392. Although the crown had hitherto resisted the claims of nobles to fiscal privileges, an ordinance of 1388 exempted

[55] Henneman (1976), 261–3, analysing documents from the *Grand Chartrier* of Montpellier.
[56] Rey (1965), 36–9, 91, 370–7; Vuitry (1878–83), ii, 654–6.
[57] Henneman (1976), 298–301, and nn.
[58] Ibid. 302–4; Rey (1965), 236–44, 325–7.

from the *taille* those nobles who lived nobly and pursued the profession of arms. Five years later, they were similarly exempted from paying the *aides* on the sale of produce from their estates.[59] This erosion of royal taxing power accompanied an erosion of royal revenues brought about by the diversion of large sums to the great royal princes, who pocketed virtually all sums collected for the crown in their own extensive lands.

Princely rivalries dissolved into civil war, and the English took advantage of this to launch a successful new invasion in the years 1415–29. In this situation, the somewhat weakened royal fiscal system quickly collapsed. The competing French factions cancelled the *aides* in 1418, a step paralleled by the resumption of those drastic manipulations of the currency that the crown had abandoned at the end of 1360.[60] Charles VII (1422–61) was not recognized as king north and east of the Loire and he was in dire financial straits from the outset of his reign. Charles had obtained a *taille* of 800,000 *livres tournois* from the Estates General in 1421, and although there were some problems in collecting it, the king persistently tried to utilize various assemblies of Estates during the 1420s in his efforts to obtain adequate finance. Although these efforts achieved some success, the effectiveness of the assemblies was undercut by divisions among economic interest groups and by a persistent regionalism that distrusted any central assembly and did not consider its actions binding. On some occasions, central assemblies where nobles were influential granted *aides*, only to have regional assemblies where townsmen had greater influence replace the tax with a *taille*.[61] This era of inadequate makeshift financing, so reminiscent of the age of the war subsidy, came to an end in 1435 when the crown concluded a treaty with the powerful duke of Burgundy, effectively ending three decades of strife between princely factions and permitting a full-scale offensive against the English.[62] The ensuing decade of French fiscal history showed some striking parallels with the 1360s, which had also begun with a peace treaty.

If the 1360s had marked the true birth of state finance in France, the decade after 1435 marked its permanent establishment. It is hardly surprising that the system created in the earlier period had disintegrated during the deep crisis of the early fifteenth century. What is striking, however, is the speed with which the crown put it back in place. In 1435, when the Estates of Languedoïl granted *aides* to run for four years, local assemblies again converted them to a *taille* to

[59] Henneman (1983), 14–17; Secousse et al. (1723–1849), vii, 186–9, 524–7.

[60] For the cancellation of the *aides*: Henneman (1976), 306 n. 124. For the currency: Lafaurie (1956), ii, 68–70, 95–102.

[61] Major (1960), 25–31; Thomas (1889, 1892); Wolfe (1972), 26–30; Gilles (1965), 40–7.

[62] In addition to various specialized studies, the events surrounding the settlement with Burgundy are discussed by Petit-Dutaillis in Lavisse (1900–11), iv pt. 2, 75–85.

run for a single year, but when the Estates reconvened in 1436 and again granted *aides*, the taxes were not overruled locally and the crown resumed collecting these indirect taxes on a continuing basis after a lapse of eighteen years.[63] Just as in 1360, continuing collection of the *aides* made it possible once more to stabilize the currency.[64]

In Languedoc, an assembly at Béziers in 1437 agreed to restore the *aides*,[65] but their continuing collection confronted the traditional fiscal structures in the Midi as it had in 1362. Thus, in 1443, the Estates of Languedoc proposed to substitute a lump sum payment of 83,000 *livres tournois*, which became known as the *équivalent*. When local indirect taxes failed to produce this sum, Languedoc adopted an apportioned *taille*, much like the taxes used in the 1360s to replace the *aides*.[66] Peace with Burgundy and ensuing truces with England brought unemployment to many soldiers and resurrected a problem that had bedevilled the 1360s—the brigandage of *routiers* (now called *écorcheurs* by the terrorized populace). In 1439, the Estates of Languedoïl granted a *taille* for one year and supported a royal plan to establish companies of regularly paid troops. This action, reminiscent of that taken when the Estates of 1363 had established the *fouage*, was disrupted by a revolt of the princes in 1440, but the crown continued to collect the *taille* henceforth without consulting the Estates further. When order was restored and a truce concluded with the English in 1444, Charles VII moved quickly to establish a regular army of mounted troops, the so-called *compagnies d'ordonnance* (1445). Supplementing taxes by drawing heavily on the assets of his financier, Jacques Coeur, Charles VII built an army that quickly drove the English from France in the years 1449–53.[67] By 1460, the restored fiscal system was producing revenues of about 1.8 million *livres tournois*, most of which (1.055 million) came from the *taille*, while only 50,000 *livres* came from the ordinary revenues of the depleted royal domain. Adjusted for currency changes, these total receipts amounted to about 80 per cent of the amount that Charles V had been able to collect ninety years earlier and substantially more than the revenues of his predecessors.[68]

V

The rise, fall and revival of royal taxation in France had occurred during a time of extraordinary economic dislocation. There is growing evidence that the rural

[63] Lavisse (1900–11), iv pt. 2, 242–3; Wolfe (1972), 30.

[64] Lafaurie (1951–6), ii, 108–11.

[65] Devic et al. (1872–1904), x, cols. 2190–204.

[66] Spont (1891), 232–40.

[67] Henneman (1976), 310, and citations in nn. 133–5. For a summary of the king's dealings with Coeur: Vale (1974), 127–34, and nn. On the important military reform: Contamine (1971), 277–8.

[68] The figures are given by Petit-Dutaillis in Lavisse (1900–11), iv pt. 2, 255. A slightly weaker currency caused Charles VII to realize less income in silver than his grandfather.

economy, after decades of stagnation, plummeted disastrously in the third quarter of the fourteenth century under the impact of plagues and devastating warfare.[69] We have seen that Charles V's ordinary revenues had shrunk to miniscule proportions and that many nobles turned to brigandage until offered royal employment. A recovery followed, and ordinary revenues by 1394 were more than triple the receipts of twenty years earlier, although still only 10 per cent of Charles VI's total resources.[70] After *c.*1410, however, a second and more severe crisis began, lasting for half a century and devastating the seigneurial income of king and nobles alike. The domain again was of little value and the taxes collected in 1460 were, under the circumstances, most impressive. That Charles VII was borrowing heavily a decade earlier suggests that re-establishment of the taxes did not immediately produce such results. Seigneurial incomes were slow to recover from this second crisis, and ordinary revenues had increased very little by 1477. The peasants, however, were the first to experience improved economic fortunes, facilitating increases in the *taille*, which quadrupled under Louis XI (1461–83).[71]

Throughout their development, royal revenues and financial institutions responded to external events, with individual kings playing an important role. The crusade of Philip II required arrangements that launched the great expansion of ordinary revenues. That of Louis IX (and his subsequent ransom) initiated the fiscal expedients characteristic of the ensuing century before regular taxation. The defeat and capture of John II created the conditions that brought into being a system of taxation, while the mental illness of his grandson helped cause that system to disintegrate. The real enigma remains Philip IV, who enjoyed larger ordinary revenues than any other medieval French king, but demanded ever greater resources, antagonizing his subjects, and exhausting much of the monarchy's 'political capital'.

[69] Bois (1984) has been followed for the ensuing discussion of economic trends. Although restricted to conditions in eastern Normandy, this work's findings are consistent with those of other regional studies and have received support from the study of Le Mené (1982).

[70] Rey (1965), 84, has tabulated figures from AN KK 14, from which certain deductions have been made to bring the receipts classed as ordinary into conformity with those used elsewhere. The total extraordinary revenues of Charles VI in the early 1390s have been disputed: Rey (1965), 262, reckoned that taxes brought in 2 million *livres tournois*, but Radding (1976) would reduce them to 1.6 million in years when there was no *taille*. If Radding is closer to the truth, Charles VI collected less than his father in silver, with the increased value of the domain being insufficient to offset the cancelled *fouage*.

[71] Bois (1984) places the nadir of the country's demographic and economic fortunes around the end of the 1450s and emphasizes that recovery was felt first among the long-suffering small cultivators. Ordinary revenues in 1477, derived from the tables in Fawtier (1936), lxx–lxxi, and converted into *livres tournois*, amounted to only 53,405. Petit-Dutaillis in Lavisse (1900–11), iv pt. 2, 406, gives figures showing that Louis XI's revenues amounted to 3.9 million in 1481 and were probably higher a few years earlier.

It was Philip who developed the two principal expedients for enhancing revenue in the absence of regular taxes—manipulation of the currency and heavy borrowing. Elimination of the former, both in 1360 and in the 1430s, became tied to regular taxes on articles of consumption. Borrowing also was abandoned when regular taxes met royal needs. Rather than establishing permanent institutions of credit, kings usually ended up confiscating the assets of their principal creditors—Jews, Templars, Italians and financiers such as Jacques Coeur. Unlike the Florentine model, where forced loans made wealthy citizens creditors of the state with a stake in its survival, the French crown used royal employment to secure the loyalty of the elites. Frenchmen found even modest taxes unreasonable under Philip IV and his first successors, but the disasters of the mid-fourteenth century changed their thinking dramatically. Under Charles V and Charles VII, order, stability and strong government seemed highly desirable and something for which it was worth paying. This thinking may explain why France averted a new crisis when the hated Louis XI died leaving a minor on the throne. The regents sacrificed a few royal officials and cut the *taille* back to 1.5 million *livres tournois*. A threatened princely uprising won little support, and when Charles VIII (1483–98) decided to invade Italy in 1494, he had at his disposal a well-entrenched fiscal system and a seasoned, salaried army.[72]

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[72] Petit-Dutaillis in Lavisse (1900–11), iv pt. 2, 420–35.

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CHAPTER 4

France, 1494–1815

Richard Bonney

'A king of France, provided he is always just, will always be the leading and the most powerful of the sovereigns of Europe, and may easily become the arbiter between them.' The words were those of Louis XVI, not Louis XIV; but they might as well have come from the lips of the *roi soleil* or even Francis I. An assertive French foreign policy, and the fears it aroused in rival dynasties such as the Habsburgs, provide an element of continuity for most of the *ancien régime*.[1] An aggressive foreign policy had to be financed. Cardinal de Richelieu, chief minister of Louis XIII, called adequate finance the 'sinews of the state', referring to it also as the 'fulcrum of Archimedes' which, once established, could move the world.[2]

Any survey and analysis of the French fiscal system from the Italian to the Napoleonic wars, or from the reign of Louis XII to Louis XVIII, is faced by a daunting array of massive evolutionary and structural changes, a relative paucity of documentation, and an absence of reliable general surveys apart from the ageing works of Clamageran and Marion.[3] Much detailed work has been done, but black holes remain, both in terms of reliable statistics[4] and the critical

[1] The author thanks Professors William Doyle and P. M. Jones for kindly commenting on a draft of this chapter. Hardman (1993), 99. For du Bellay's claim after the battle of St Quentin (1557) that other states might gain a temporary advantage over France, but in the long term could not match her wealth and power: Rodríguez-Salgado (1988), 31. For a discussion of recent historiographical issues: Bonney (1998).

[2] Elliott (1984), 80, and ultimately Richelieu, ed. André (1947), 427–8.

[3] Clamageran (1867–76); Marion (1901, 1910, 1914); Wolfe (1972) lacks a firm documentary base and deals only with the period before the end of the 16th cent.; Bonney (1981) and Bonney and Bonney (1993) provide the most detailed account of the 17th cent.; Morineau (1980) and Riley (1987) are fundamental for the 18th cent. Recent guides to sources are Félix (1994*a*) and, for the period 1789–1815, Bruguière and Pinaud (1992). *L'administration des finances* (1997) provides the best guide to institutional arrangements.

[4] Bayard [1994] discusses some of the methodological difficulties.

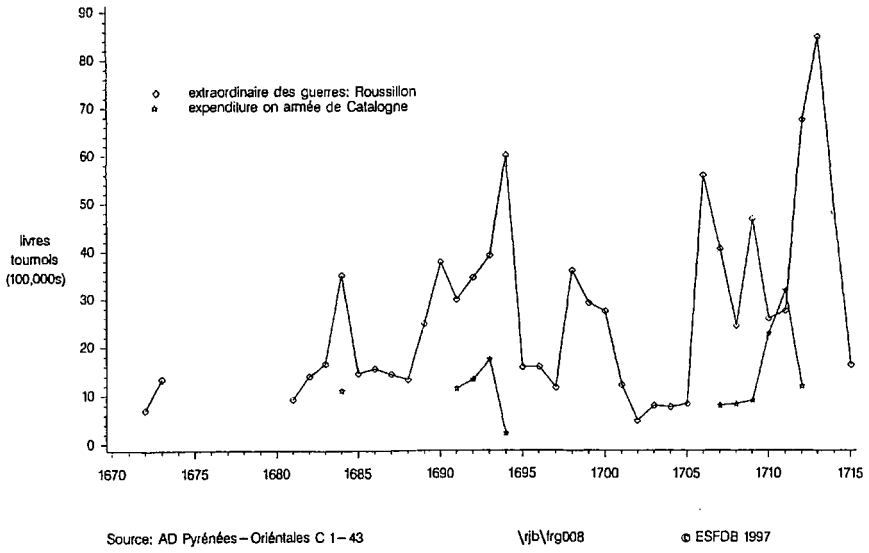

FIG. 4.1 War expenditure on the Roussillon–Catalonia war front, 1672–1715

investigation of certain periods. The great fire at the *Chambre des Comptes* in 1737 destroyed much of the surviving documentation; and what it did not destroy, the Revolutionaries of 1789 and 1871 accomplished.[5] Some of the lacunae may be filled from local evidence. This is less true for expenditure—although Figure 4.1, which draws on the intendants' evidence for the Roussillon war front in the later seventeenth century, is an exception[6]—than for revenues. In the case of revenues, there is a growing number of regional studies on which to draw for different periods, at least for direct taxes, especially the *taille*, the chief direct tax until the end of the seventeenth century (Figures 4.2[7] and 4.3).[8]

France was a nation of perhaps some 15–18 million peasants in the sixteenth century; of some 19 million peasants under Louis XIV; and of some 23–28 million

[5] For the *taille* rolls: Dupâquier (1977), 6; exceptionally good sources for the Pays de Caux: Lemarchand (1989), 613–15. For indirect taxes: Durand (1971), 7 n. 1; Massaloux (1989), xiii, n. 1.

[6] ESFDB \rjb\frg008, based on \rjb\frd025. Archives Départementales des Pyrénées-Oriéntales C1–43: the intendant's accounts of war expenditure on the Roussillon front and the costs of the French army operating in Catalonia, which cover the years 1672–1715.

[7] ESFDB \rjb\frg006 based on \frd020 and \frd021; Doren (1975); Greengrass (1985), 128; Potter (1993), discusses the situation in Picardy in the 15th and early 16th cents.

[8] ESFDB \rjb\frg004 based on \rjb\frd017, \frd018 and \frd019. For Languedoc: Beik (1984) and (1985), 142, and A[rchives] N[ationales] G[7] 296–319 provide an almost complete run of data covering the years 1630–1713. For Tours: Loizeau de Grandmaison (1878), who provides figures covering the years *c.*1660–1766. Lemarchand (1989) is a regional survey of the Pays de Caux in the 17th and 18th cents.

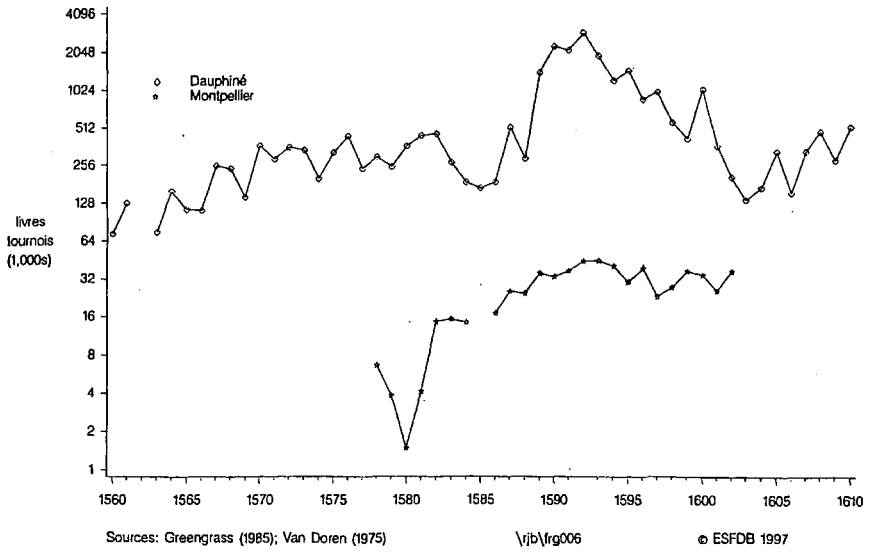

FIG. 4.2 Direct taxes in Dauphiné and at Montpellier, 1560–1610

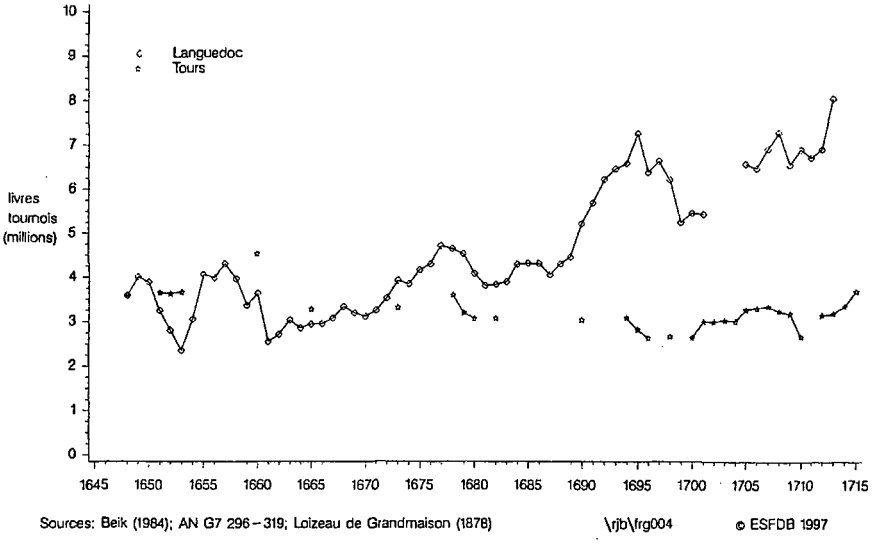

FIG. 4.3 The levy of direct taxes in Languedoc and of the *taille* in the *généralité* of Tours, 1648–1715

peasants under Louis XVI, although the precise figures are a matter of debate. How many peasants actually paid tax is another question, though clearly most did. Louis XIV did not create this reliance on the taxation of agriculture; but he certainly consolidated it,[9] and even during the periods of industrial and commercial growth during the eighteenth century agriculture carried a disproportionate share of the fiscal burden. This provided the internal logic of the Physiocratic programme in the 1760s and beyond. The Physiocrats wanted to restructure the fiscal system in order to enhance the productivity of the *nation agricole*, which would serve simultaneously to consolidate the position of the landowners (*propriétaires fonciers*). A *monarchie économique*—an alliance of mutual economic interests between the king and landowners—seemed to the Physiocrats the best form of government for such a nation.[10] Others differed in their economic perspectives, but it was not until the writings of Pierre-Louis Roederer and Jean-Baptiste Say in the period of the Revolution that a more fully rounded theory of industry and the taxation of other activities and commodities than the surplus profit from land came to be accepted. Even in the 1790s, France was still a country in which taxes on land assumed disproportionate importance in comparison with rival states such as Britain.

I

The history of the central direction of French finance is that of commitments entered into by kings in the realm of foreign policy and warfare, and the detailed decision-making and control of fiscal policy asserted by successive finance ministers in the seventeenth and eighteenth centuries. Louis XVI was to call the finance ministry 'the most sensitive position in the kingdom'.[11] In the sixteenth century, with the exception of Semblançay's administration in the 1520s—which was an aberration more akin to the control exercised by an *argentier du roi* such as Jacques Coeur (1438–50)[12] —there was a collegiate oversight of financial affairs until the 1580s. Central control of financial policy emerged only gradually, and

[9] Root (1987); Brenner in Chirot (1989), 41. Population figures are from Dupâquier (1988). The usual population figures at each date have been reduced by a generous million to cover the clergy, the nobility and exempted persons. Of course, the true figure for the number of peasant taxpayers is much more difficult to calculate because of the varying rates of increase in the number of tax exemptions in different periods. Between 1550 and 1650, there were around 1,000 ennoblements in Normandy alone, but the number of *de facto* tax exemptions gained would have been much higher and royal investigations to curtail these were inadequate: Bitton (1969), 95, 147 n. 14; Sturdy (1976); and, for the later period, Lemarchand (1989), 168–72. The numbers of those working in agriculture would be different again. Cf. Hoffman (1986).

[10] Echeverria (1985), 182, 193–5. For contrasts between English and French landowning: O'Brien and Heath (1994).

[11] Hardman (1993), 58.

[12] Mollat (1988), 219–61.

was probably first exercised by Pomponne de Bellièvre (1574–88) and then by François d'O (1588–94).[13] From the appointment of Sully as *surintendant des finances* in 1598 to the arrest of Foucquet in 1661, with occasional setbacks as in 1611, the central direction of financial affairs was strengthened: the finance ministry was a seventeenth-century phenomenon in so far as it could be said to have existed at all before Colbert, when the ministry came to be associated with the post of *contrôleur général des finances*.[14]

Only gradually did the distinction between what was in the 'public' and what ought properly to be considered the 'private' domain come to operate in the conduct of financial affairs. The probity of the Huguenot Sully was not repeated in the following generation: Claude Bullion amassed a fortune of 7.8 million *livres* by the time of his death in 1640; the assets of Foucquet were evaluated at in excess of 15.4 million at the time of his arrest in 1661 (though his debts equalled his assets), and even the driving force behind his prosecution, Colbert himself, acquired a fortune of nearly 6 million *livres* whichever method of calculation is accepted.[15] Huge though they seem, the perquisites of office and illegal gains of finance ministers were as nothing compared to the 22 million acquired by Richelieu and the 37 million acquired by Mazarin as chief minister. Standards of probity in French public life had to start at the top, and it was one of the permanent achievements of Louis XIV's personal rule drastically to reduce the potential for illicit gain. Law made an enormous fortune under the System (a letter from Law to the Regent, dated 1 March 1721, talked of his share holdings 'at that time worth nearly 100 millions')[16] but then lost most of it when the System collapsed. After 1720, ministerial gains from office were small beer indeed compared to the situation before 1661. Calonne (1783–7) was considered a corrupt finance minister by the standards of his time; but his gains from office were miniscule in comparison with his predecessors in the first half of the seventeenth century.[17]

[13] Bonney (1981), 30–1, 38, 40–1, 43–4; Antoine (1986), 37–8. Cf. Potter and Roberts (1988), 330, where the role of Milon de Videville, one of the four *intendants des finances*, was also stressed.

[14] Bonney (1981), 285–7; Barbiche in Bluche (1990), 1494. On the theme of collegiate versus ministerial control: Antoine (1986), 31–60. The exception in the later 18th cent. was the ministry of Necker, who did not become controller-general because he was a Protestant.

[15] Bonney (1981), 181, 324-5; Dessert (1981), 40; Dessert (1987), 152, 348–53. Villain (1994), 322, 334, 336, corrects all earlier interpretations, and provides various estimates of 4.95, 5.8 and 5.75 million *livres*. Louvois gained a fortune of some 8 million in a career spanning some twenty years (1672–91). Bullion, Richelieu's finance minister (1632–40), gained a fortune of 7.8 million in just eight years in office.

[16] Hyde (1948), 156.

[17] However, since the fortunes of finance ministers in the 18th cent. await investigation the received wisdom could yet be revised. Cf. the comments on Vergennes's fortune in Bonney (1998), 646.

By 1789, the work of the finance ministry was divided into thirty *bureaux*, employing about 256 individuals; but the ministry had no direct control over the 35,000 or so officials of the royal farms who were under its nominal authority and the somewhat smaller number of agents operating the system of direct taxes.[18] Even allowing for this growth of the finance ministry, the effectiveness of its central direction should not be exaggerated. Control of revenue raising might be exercised by the finance minister, but there was no unified control of expenditure, no single *ministre ordonnateur* under the *ancien régime*.[19] The result was chaos in wartime, with at first the Constable and other military commanders, and later (after the abolition of the Constableship in 1627) the war minister, able to run up bills almost unchecked. With the establishment of a separate ministry for the marine, the navy minister, too, was able to incur separate expenses.

Bullion and Bouthillier as joint finance ministers forced the resignation of Servien as secretary of state for war in 1636. Yet this event did not imply any long-term advantage to the finance minister. It is uncertain whether Colbert wholeheartedly supported the Dutch War of 1672 to which Louvois was absolutely committed. Thereafter, there was almost invariably a conflict of interest between the expenditure plans of the secretary of state for war and his colleague charged with the responsibility for the navy; both might be at odds with the finance minister. Necker resigned as director of finance as a consequence of his inability to check the rise in naval expenditure in 1781, and there was an attempt to undermine the independence of spending ministers in the following two years; but the achievement was minimal.[20] The alternative, which was to unite the key ministries in the same hands (Chamillart was finance minister and secretary of state for war in the years 1701–8), proved unworkable in wartime because of the pressure of business. The separation of the two posts, with the appointment of Desmaretz as finance minister in February 1708, leaving Chamillart to continue as secretary of state for war until June 1709 (when he was replaced by Voysin), was the occasion for an improvement in financial management.[21]

The history of the finance ministry in the first half of the seventeenth century and for much of the eighteenth century was one of chronic instability. Whereas in 1683 Colbert died in office after nearly eighteen years' service with the title of controller-general, and twenty-two years' service in the council, only one controller-general in the eighteenth century died in office.[22] Nine ministers were appointed between 1746 and the death of Louis XV in 1774, averaging just over

[18] Bosher (1970), 49–50; Bruguière (1991), 156.
[19] Hardman (1993), 41.
[20] Ibid. 71–4; Bonney in Bonney (1995*a*), 343.
[21] Bonney and Bonney (1993), 49–82.
[22] Clugny, who held office for a few months in 1776: Hardman (1993), 57.

three years per ministry. Such instability was not conducive to reform, or indeed to the formulation of any consistent viewpoint, as Necker observed ('les principes de l'administration changeoient au gré des Ministres, & les Ministres au gré de l'intrigue').[23] At all periods there were a number of financial officials, usually office-holders, working under the nominal authority of the finance minister. It was perhaps above all the *intendants des finances* who 'controlled' the system in so far as any one group did so. In the sixteenth and seventeenth centuries these office-holders had been seen as corrupt (as indeed they often were)[24] and a number of them were forced to resign their offices in 1658. By the eighteenth century, the standards of financial probity had risen but they were increasingly perceived as a conservative interest group. The Regency government sought, but ultimately failed, to abolish the position of *intendant des finances* and to rely instead on *maîtres des requêtes* who serviced the short-lived experiment in multiple councils known as the *polysynodie*.[25] Necker's abolition of the six *intendants des finances* in 1777 might thus be regarded as an important measure leading towards financial reform, and their restoration by Joly de Fleury in 1781 as a setback to the cause of reform.[26]

These *intendants des finances* must be distinguished from the provincial intendants, or *intendants de la justice, police et finances*, who (apart from a short interlude during the Fronde) were the linchpin of financial administration in the *pays d'élections*—that is, the larger area of central France without representative institutions—from 1642 until the French Revolution. John Law certainly exaggerated their authority in 1720, when he argued that France was 'governed by thirty intendants'; the Regent, he contended, had 'neither *Parlements*, nor committees, nor estates, nor governors'. Instead, on the intendants' judgement depended 'the well-being or misfortune of the provinces, their abundance or their sterility . . .'[27] Whatever the extent of the exaggeration, controllers-general of finance after Colbert always recognized that the intendants made a decisive difference to effective tax administration, helping to ensure implementation of decisions and also to prevent competing, self-defeating fiscal measures. Desmaretz summed up collective ministerial wisdom when he stated that their

[23] Necker (1791), 33. For Louis XVI's hostility to the idea of reappointing Necker, who had resigned from office in 1781: Hardman (1993), 135–6. Necker was dismissed on 11 July 1789 after a court intrigue led by d'Artois: Price (1990), 323–4, 326; he was recalled on the fall of Brienne's ministry: Marion (1914), 429.

[24] Dent (1967); Bonney (1981), 40–1, 176, 181, 183, 289–90; Bayard (1988), 416, for the fortune of Claude Cornuel.

[25] The powers of the *intendants des finances* were removed in Oct. 1715 and their offices were temporarily suppressed. They returned as commissioners in June 1721 and as office-holders in June 1722.

[26] Bosher (1970), 55, 165, 178; Mosser (1978); Harris (1979), 105–6; Antoine (1986), 45.

[27] Doyle (1980), 59–62, provides a useful commentary on this remark.

task was to ensure that the different aspects of taxation should not conflict and that the king obtained the fiscal resources he needed ('qu'ils ne se croisent point et que le Roy en puisse tirer le secours dont il a besoin').[28] Although the origins of the intendants' powers were more distant, responsibility for the assessment and collection of direct taxes within the *pays d'élections* had been conferred on the provincial intendants by the ruling of 22 August 1642, which was confirmed by the declaration of 16 April 1643. The fiscal administration of the intendants proved highly controversial at first, not least because it was effective and displaced the myriad local financial office-holders (*trésoriers de France* and *élus*), who had not been successful in guaranteeing tax returns to the crown. With the outbreak of the Fronde, the intendants were recalled from the *pays d'élections* in the summer of 1648. They were reinstated at the end of the Fronde, in the summer and autumn of 1653, this time with the less controversial title of *commissaires départis pour l'exécution des ordres de Sa Majesté*, but this could not hide the fact that they had the same fiscal powers derived from the declaration of 16 April 1643.

The long-term effect of the Fronde was simply to strengthen the institution which had been in the forefront of the office-holders' criticisms in 1648.[29] The powers of the intendants over direct taxes were gradually refined and extended, so that Le Peletier could call the parish assessments 'the most important of all [their] functions'. While other commentators, such as Malet, agreed with this verdict, they criticized the intendants precisely because they did not devote enough time to this task, which they thought demeaning; instead, they relied on their subordinate officials (*subdélégués*) who were accused of corruption. Notwithstanding the criticisms, reformers such as Vauban and Boisguilbert saw the intendants as essential agents for implementing their reform plans.[30] It came, therefore, as no surprise that when Pontchartrain introduced the *capitation* of 1695, the first serious attempt to broaden the base for direct taxation, it was the provincial intendants who were required to levy the tax in the *pays d'élections*. Abolished at the end of the War of the League of Augsburg, the tax was reintroduced in March 1701 with the threat of renewed war. The rate of tax was increased by half as much again, and many intendants resorted to levying it as an accessory to the *taille*. The reforming purpose of the tax was clear, however, and intendants expected ministerial support when they pursued a firm policy towards privilege.[31]

[28] Bonney (1992*a*), 150. This and a number of other articles are reprinted in Bonney (1995*b*).

[29] Bonney (1995*b*), xii, 162; Bonney (1978), 49, 55–6, 69–71, 184–6, 198–203, 443 ('If all France had been *pays d'états*, the Thirty Years' War could not have been won').

[30] Bonney (1978), 163; Bonney (1991), 188–9; Bonney and Bonney (1993), 19, 21; Bonney (1993), 387.

[31] Bonney (1992*a*), 164–5.

With the introduction of the *dixième* in 1710, the intendants were again the vital mechanism for enforcement in the *pays d'élections*. What most impressed the Allies about Louis XIV's new direct taxes was that neither the *capitation* nor the *dixième* had been introduced by consent.[32] In the case of the *dixième*, after Desmaretz had taken advice from specialists, he discussed the matter with Louis XIV on 14 October 1710, and the result was a royal declaration establishing the new tax which was subsequently sent to the superior courts for registration. The intendants were instructed to establish the tax retrospectively with effect from 1 October 1710, and to engage in a daily supervision of their subdelegates to ensure that this decision was carried out; fortnightly statements of the proceeds of the tax were to be sent to the minister, who also appointed special controllers and directors of the tax. Although it had been promised that the tax would last merely for the duration of the war, after examining the various financial options to alleviate the debt at the end of the war Louis XIV and Desmaretz concluded in the declaration of 9 July 1715 that both new taxes must be continued until the debt was discharged.[33]

Thus but for the decision of the Regency to abolish the *dixième* in 1717, the new powers conferred on the intendants might have become permanent and the French monarchy might have become self-sufficient in fiscal terms. Although it was unlikely that the interest-bearing debt of some 1,739 million *livres tournois* (or 1,977 million if non interest-bearing debts are included)[34] could have been paid off from the annual revenue of some 45 million which the two new taxes yielded, it is incorrect to suggest that Louis XIV never established a permanent new tax, or indeed to deny that he taxed without consent.[35] In so far as absolute power had a fiscal significance, Louis XIV's *dixième* showed what the French monarchy could have become had the Regent not allowed the *Parlements* back into the political arena again by restoring their rights of remonstrance in September 1715. The return of the *Parlements* to the status of sovereign courts, and their increasing assertiveness in the area of direct taxation, clearly affected the independence of action enjoyed by the provincial intendants. It was precisely the fear of an independent executive authority in the provinces, which sought to tax 'arbitrarily' without consent and to enquire into the 'faculties' of taxpayers, which had so mobilized opinion against the first *dixième*—though even Louis XIV had

[32] Cf. Klaits (1976), 260; *pace* Henshall (1992), 56, and the more extreme statement by the same author (1993).

[33] Bonney and Bonney (1993), 82.

[34] Félix (1994*b*), 606, has revised upwards the figures for the debt at the end of Louis XIV's reign.

[35] Cf. Rowen in Rule (1969), 375. Rowen noted: 'These levies, therefore, literally embodied Louis's claim to dispose of *all* subjects' property at will for the good of the state. Reason of state has no clearer practical application in the period. Had these two taxes become permanent in their original form, much would have been altered both in government finance and social relationships.'

recognized that the Frenchman's *secret de sa famille* was an area into which the monarchy could not probe, both because of lack of knowledge and because of the nation's liberties.[36]

Thus, after 1642, provincial intendants became the key administrators for the levy of direct taxes in the *pays d'élections* and, as will be seen, the crown relied excessively on this area for its fiscal resources. But before the establishment of this new institution under its direct control, the crown lacked any such mechanism for enforcement. Contemporary assumptions about reform in the sixteenth and early seventeenth centuries were that there should be stronger institutional control over the king's finances exercised by a financial tribunal such as the *Chambre des Comptes*. In addition, there should be a separation of the king's finances: a permanent fund for the payment of the crown's contractual obligations should be established, which would be independent of royal control (the idea of the *conseil de raison* or *conseil particulier*). There should be periodic investigations into financial corruption, with the prosecution of officials, accountants and financiers (the idea of the *chambre de justice*, of which there were several examples between the reigns of Henri IV and Louis XIV, the most famous and longest-serving being those of 1661–5 and 1716–17).[37] Above all, the king should exercise direct supervision in order to create an atmosphere of confidence in the good conduct of his financial affairs. Thus honesty should not only be the norm, but be seen to be the norm: excessive secrecy should be eliminated, and above all the method of expenditure without specific accounting to the *Chambre des Comptes*—the notorious 'secret expenses' (*comptants*)—should be abandoned altogether or at least reduced drastically. The number of financial officials should be restricted, and the sale of offices halted. The borrowing requirement of the crown must be drastically reduced, the rate of interest curtailed, and new taxes should not be invented by 'projectors' (*donneurs d'avis*). The alienation of the royal domain should be stopped, and there should be a systematic attempt to repurchase the domain and thus free the crown from its dependence on tax income and tax increases. The vociferous criticism of financial policy, of the ministers, and of the financiers in the political pamphlets of the Fronde (1648–53), when censorship collapsed and opinions unfavourable to the government could be expressed, was an indication of how far short government could fall from public expectations.[38] The attention given by Louis XIV to his financial affairs, at least in the first few months of his personal rule after the death of Mazarin in March 1661, was a recognition of the dangers of excessive delegation, and that some of the criticism voiced in the Fronde was justified.

[36] Bonney (1993), 389, 397.

[37] Bosher (1973); Bonney (1981), 20–1, 40–1, 50–2, 117–19, 204, 222, 266, 274–5; Bayard (1988), 311–48; Carbasse in Bluche (1990), 291–2; Dessert (1984), 238–76.

[38] Carrier (1989–91); Bonney (1992*b*), 126.

Yet in another sense almost all the principles underlying financial reform before 1661 were based on misconceptions and prejudices and were ill founded. The clock could not be put back, though even Richelieu might contemplate reversing the growth of the state.[39] Ministers were necessary because the king could not perform all the necessary functions of government himself. They had to operate in conditions of secrecy to maintain confidence in the king's financial affairs. Perhaps a more effective national representative assembly would have led to a more open style of government. But government after 1615 became used to management without an Estates General; and towards the end of the War of the Spanish Succession, Colbert de Torcy told the Allies that the national representative assembly was 'abolished'.[40] He was wrong, of course, as the summons to the Estates General in 1788 was to demonstrate: the Estates were in abeyance until there was a pressing crisis—and, events were to prove, a pressing financial crisis—which required their summons. It was only late in the eighteenth century, after Necker published his *Compte Rendu* in 1781, that real public debate on the royal finances became possible. Even some long-standing abuses, such as the use of the *comptants* which it seemed that Colbert had resolved to eliminate once and for all, were still present at the end of the *ancien régime*.[41] Though this was not necessarily true in all respects,[42] the traditional programme of reform had failed miserably in the realm of finance.

It is not difficult to ascertain why this programme of financial reform failed. Quite simply, it was conceived by those without great experience of office, and it was divorced from the political and financial realities of government. The transition from a 'domain state' to a 'tax state' in France antedated the period of the Italian wars (Chapter 3). Some of the royal domains might indeed be repurchased. The royal domains might be administered or leased out more effectively. New revenues might be created which would be regarded as domainal income, so that by the eighteenth century this source of revenue could become important. But the crown could never again 'live of its own', to use the English expression: tax income was essential.[43] Nor could the sale of offices, which had been gradually extended since the 1520s, be reversed: the crown could not afford to reimburse its office-holders, although ministers such as Richelieu and Colbert when first entering office might consider that this was possible and desirable, and in the crisis of 1720 Law might spread a rumour that this was once more under consideration. Nor, before 1789, was there any prospect that office-holders themselves would have wished to see this happen. Not only was the amount of

[39] Bonney (1992*b*), 121–2, 128.
[40] Klaits (1976), 268, quoting Torcy to St John, 22 June 1712 (draft).
[41] Bonney (1981), 259, 308–10; Bosher (1970), 119, 194; Harris (1986), 745–7.
[42] Hayden (1974), 210–14; Briggs in Bergin and Brockliss (1992).
[43] Bonney in Bonney (1995*a*), 447–9 and fig. 73; Massaloux (1989).

capital invested in offices the equivalent of a consolidated debt, on which interest had to be paid in the form of salaries to at least some of the office-holders; the market in offices remained buoyant throughout the *ancien régime*, thus demonstrating that Frenchmen—unlike the 'Germans' in Alsace—preferred to invest their money in office (which also conferred status) rather than in risky ventures such as trade. 'Archomania'—the rage for offices—remained a distinctively French phenomenon with enormous political, fiscal and social consequences.[44]

Yet the crown refused stubbornly to concede a *conseil de raison* or *conseil particulier*, an independent body to administer its contractual obligations to pay interest to *rentiers* and *gages* to the minority of office-holders who were entitled to receive them (some 13,000 out of 70,000 office-holders in the later eighteenth century).[45] Nor would it allow the *Chambre des Comptes* to investigate the details of its secret expenditure, particularly the sums paid to financiers as interest payments above the legal rate of interest. To have done so would have altered the nature of monarchy in France, which would have become a *dominium politicum et regale* like England rather than the *dominium regale* described already by Sir John Fortescue in the fifteenth century in a more prescient observation than has sometimes been allowed (Chapter 1).[46] France never came to be governed by a commission of the Estates General, or by office-holders and *rentiers* acting in their own interests, though at times of crisis such as 1594 and 1652 those dependent on the payment of salaries and annuities were a powerful support to the monarchy.[47] As for the periodic investigations of financial corruption, Sir George Carew remarked of Henri IV that he 'wringeth them [that is, the financiers] like sponges and ransometh every three or four years . . .', while Sully is alleged to have told him that 'his master had placed him in his office to increase his revenue and not to deliver justice'. The *chambre de justice* was at best a *post facto* adjustment of profits charged by financiers, at worst a settling of scores by one political faction against another with the king profiting from the rearrangement.[48] Gradually, in the later seventeenth century, it was accepted that the procedure of a *chambre de justice* was disastrous since it destroyed the king's creditworthiness; only by establishing a climate of confidence that the king's contractual word was his bond would interest rates be brought down to

[44] Mousnier (1971); Bonney (1981), 281–2; Bonney (1992*a*), 152 n. 11; Doyle (1984). The outstanding modern account is now Doyle (1996). Ibid. 8, for the quotation from Loyseau on 'archomania'.

[45] Figures from Doyle (1996), 60, 77.

[46] Henshall (1992) denies the validity of Fortescue's remark. Prof. Ormrod's chapter above and his comparative chapter in Bonney (1995*a*) demonstrate that such reservations are misplaced.

[47] Koenigsberger ([1975]) and Burns (1992), 59–70, are to be preferred to the discussion in Henshall (1992), 200. The politico-financial aspects of secret expenditure were stressed by Bonney (1976). Contrast the power of the commission of the *Cortes* of Castile in the 1640s and 1650s.

[48] Bonney (1981), 64–5, 218, 267–71.

acceptable proportions.[49] Seen in this perspective, the *chambre de justice* of 1716–17 was an aberration after a long reign, which had witnessed the growth of ministerial power and the creation of immense financial fortunes out of the circumstances of Louis XIV's last two wars. This investigation, and the subsequent *visa* after the collapse of Law's System, were the death throes of the old attitudes and were not an indication of the future. Debt repudiation was largely a policy of the past, but 'default risk' still dominated the market so that interest rates in France remained considerably higher than in Britain.[50]

What new reforming attitudes replaced the old traditions which had largely been discarded in the period of the later wars of Louis XIV? The most innovative ideas were those of the Scots adventurer John Law, who exploited the friendship and intellectual curiosity of the Regent, Philippe d'Orléans, both to gain office and to force through his scheme for reducing the burden of debt by a rapid dash for economic growth, which would in turn be stimulated by the transfer to paper money and the low interest rates which this would bring in its wake.[51] Among the French controllers-general of finance between 1665 and 1789 only Law, Turgot and Necker could be said to have been economic theoreticians.[52] Of these three theorists, Turgot had held a provincial intendancy for twelve years previously, but the other two were without comparable governmental experience. Turgot and Necker operated in a political climate in which they were distrusted by Louis XVI and hampered by the ambitions of other ministers. In contrast, because of the Regent's support, Law was able to indulge his ideas virtually without control and, since he had never held previous administrative responsibility, he did so without having first tested them. It may be argued that the eighteenth-century mania for gambling, which was shared also by the Regent, was an explanation for the initial success of Law's System and perhaps for its subsequent over-extension.[53] Yet this is only part of the story. Law's System could have succeeded; indeed it very nearly did succeed. And it might well have brought in its wake a complete transformation of the French finances, economy and society, a French Revolution *avant le nom* and without the Terror. The process of revenue integration and the increasing tendency towards authoritarianism under Law's System were harbingers of profound changes indeed.[54]

[49] This was largely the work of Desmaretz, but the fall of that minister in 1715 temporarily reversed his policy.

[50] Bonney in Bonney (1995*a*), 345 n. 188, 347 n. 196.

[51] Murphy (1991*a*, 1991*b*, 1991*c*, 1993).

[52] The number rises to four if Silhouette is included, but he held office for only nine months in 1759. For his views: Meyssonnier (1989).

[53] Kavanagh (1993), 67, 94–104.

[54] Kaiser (1991); Bonney (1992*a*), 171–3. Law's views are placed in context by Bonney in Bonney (1995*a*), 206–8.

Nevertheless, the very long period envisaged by Law to extinguish the debt—twenty-five years, that is, until 1745—required exceptional conditions of political stability which a Regency government was incapable of guaranteeing.

The catastrophe represented by the collapse of Law's System in July 1720 altered the nature of the debate on financial reform in France. Although it would be untrue to say that the idea of a national bank and a paper money solution to the crown's financial problems was discredited for the rest of the *ancien régime*—confidence was restored somewhat with the establishment of the *Caisse d'escompte* in 1776[55] —the very long delay before the Bank of France was set up in 1800 is an irrefutable fact of French history which contrasts with the position in England, with its national bank dating from 1694.[56] Although a relatively stable market for private credit existed under the *ancien régime*, with lower interest rates in the eighteenth than in the seventeenth century, there is evidence that it was adversely affected at various times by the demands of government borrowing.[57] One solution to the crown's financial problems seemed to be the reliance on corporations such as guilds, towns, provincial Estates and groups of office-holders such as *secrétaires du roi* to lend the crown money as required. But the lack of a national bank denied the kingdom the benefits of the unrestricted recirculation of interest payments which Isaac de Pinto extolled for England in 1771: 'It is not credit that has ruined the finances of France . . . it was the failure of credit in time of need that did the mischief, and probably was the chief cause of the late disasters [in the Seven Years' War].'[58]

The capacity of the *Parlements* to impede a course of action determined by the crown can be greatly exaggerated, but there is no doubt that a minority of vociferous critics of government policy could be found in the lawcourts and that this minority was increasingly politicized in the course of the eighteenth century. Arguably, these opponents of the government knew what they did *not* want much more clearly than what they wanted: Terray's arbitrary reduction of interest rates and the Maupeou coup in 1770–1, whether or not these measures were the consequence of an economic crisis, provided them with a justification for denouncing 'ministerial despotism'.[59] The Maupeou coup may not have been planned in advance as an attack on the *Parlements*, but it offered the possibility of establishing some attempt at a 'legal despotism' that had been called for by Physiocrats such as Mercier de La Rivière.[60] To rid France of the 'aristocracy of

[55] Marion (1914), 348. [56] Kindleberger (1984*a*, 1984*b*).

[57] Bonney (1981), 249–50; Hoffman, Postel-Vinay and Rosenthal (1992), 305.

[58] Cited by Bonney in Bonney (1995*a*), 204.

[59] Bosher (1972); Echeverria (1985); Doyle (1970, 1987, 1995).

[60] Beales (1991), 3; however, Mirabeau (1760), 127–8, took a more traditional position, arguing that 'la souveraineté Monarchique, & le pouvoir arbitraire Despotique sont incompatibles'.

the magistrates' might have implied dispensing with venality of office and thus altering the structure of the consolidated debt: yet Maupeou only abolished about 3,500 venal offices, or perhaps 5 per cent of the total in the kingdom, while Terray sought to extend and exploit the system of venality, creating nearly twice as many offices as Maupeou abolished.[61] Perhaps other reforms could have followed in the wake of the coup: the internal barriers to economic and fiscal reform might have been removed without incurring political revolution. One can only speculate, because Maupeou was in serious political difficulties before the death of Louis XV, while the new king, Louis XVI, disgraced him in 1774 and reversed his coup.[62] A brief experiment of reform was launched under Turgot, but this ended with the assertion of armed force in the *guerre des farines* and the king's rejection of Turgot's attempt to wield political power as the *de facto* chief minister.[63]

With the appointment of Necker as director-general of finance in 1776–81 (because of his Protestantism he never held the title of controller-general) a new era of political moderation seemed to have begun. Necker's political skills have received varied assessment, but few have doubted that he sought a new accommodation with the public at large; he was prepared to innovate with new institutions such as the provincial assemblies to achieve his ends. Necker was a firm believer in publicizing the state of the king's finances: in an attempt to attract public support, he took the initiative in publishing his *Compte rendu* in 1781. He wanted equality in the fiscal burden, and the elimination of arbitrary tax assessments. The provincial assemblies would have introduced more than an appearance of consent to taxation, while overcoming the government's ineffectiveness in the detailed execution of policy.[64] Since Necker was critical of both the *Parlements* and the intendants, he was attacked by both sides of the political spectrum when his memorandum on the establishment of provincial assemblies was published in 1781.[65]

There was much more reforming endeavour in successive governments from the ministry of Bertin to that of Loménie de Brienne than is sometimes suggested. By 1787 the government itself had abolished absolute monarchy in fact if not in theory; but what it had failed to agree on was a system of constitutional monarchy to replace the old system.[66] The summoning of the Estates General in one sense disrupted, rather than enhanced, this reforming endeavour since it

[61] Doyle (1996), 126, 131–2.

[62] For the fall of Maupeou: Hardman (1993), 32–3, 36.

[63] Ibid. 47, 52–4.

[64] Jones ([1993]).

[65] Hardman (1993), 58–9, 61–2; Harris (1979), 84–98. Necker's ideas are discussed by Grange (1974).

[66] Jones (1992), 226–7; Jones (1995), 241.

paralysed the government. If in his second ministry in 1788–90 Necker worked consistently for the establishment of a constitutional monarchy and for voting by head (and a doubling of the third estate) in the Estates General, he seems to have had little or no clear idea of how to handle the National Assembly as it renamed itself. A unique opportunity of reforming the nation's finances in time of peace was squandered (though it is true that by 1790 there was already much criticism of the ministry and of the finance minister in particular).[67] Once left to its own devices, the Assembly proved its incapacity to pursue simultaneously a policy of financial reform while enforcing the levying of taxation. After the declaration of war on Austria in April 1792, France never again recovered the opportunity to secure financial reform in peacetime until the fall of Bonaparte.

II

Writing during Henri IV's reign, and reflecting on the state of France in the sixteenth century, the English ambassador Sir George Carew commented that Louis XI (1461–83) had made 'levies by his simple edict or proclamation' unlike the kings of England and Castile, and unlike the Emperor; but Louis XII (1498–1515) 'used that regard and moderation as the surname of *Père du Peuple* hath been appropriated to him'. For his part, Francis I (1515–47) 'increased the taxes much' because of the military requirements of his reign.[68] By the reign of Henri IV, however, the French held it for 'true principle of state' (according to Carew) that the common people 'must be kept low and out of heart by exactions and oppressions; for otherwise they would be apt to mutinies and rebellions . . .'[69] There was popular resistance to taxation, and increased taxation in particular. But around the year 1642 Cardinal de Richelieu could reflect (in a much quoted passage from his *Testament politique*) on the likeness of the French peasant taxpayers to mules, who would be much more troublesome after a long rest than in work; if they were freed from taxes they would forget their status.[70]

The period of attempted Valois expansion in Europe (1494–1559) is not as poorly served by sources as was once thought. There are summary expenditure lists (*états abrégés*) for certain years[71] and totals of different categories of expendi-

[67] As early as 1788 Billaud-Varenne had declared Sully to be the last acceptable minister in the previous 200 years (and he had left office in 1611): Burney (1991), 152. For criticism of Necker's attitude to the Estates General: Marion (1919), 3; Necker (1791) provided the self-justification of his conduct after the end of his second ministry.

[68] Carew in Birch (1749), 436, 465.

[69] Ibid. 461.

[70] Richelieu, ed. André (1947), 253–4; quoted by Gelabert in Bonney (1995*a*), 541.

[71] B[ibliothèque] N[ationale] MS fr. 17329, fos. 82^{v}–92^{v}, for the years 1515, 1516, 1530, 1531, 1545 and 1546 'faict le 14 jour de decembre 1571'. Ibid. fos. 94^{r}–102^{r}, for the years 1548, 1549, 1553 and 1558; ibid. fos. 104–11, for the years 1559, 1560 and 1561.

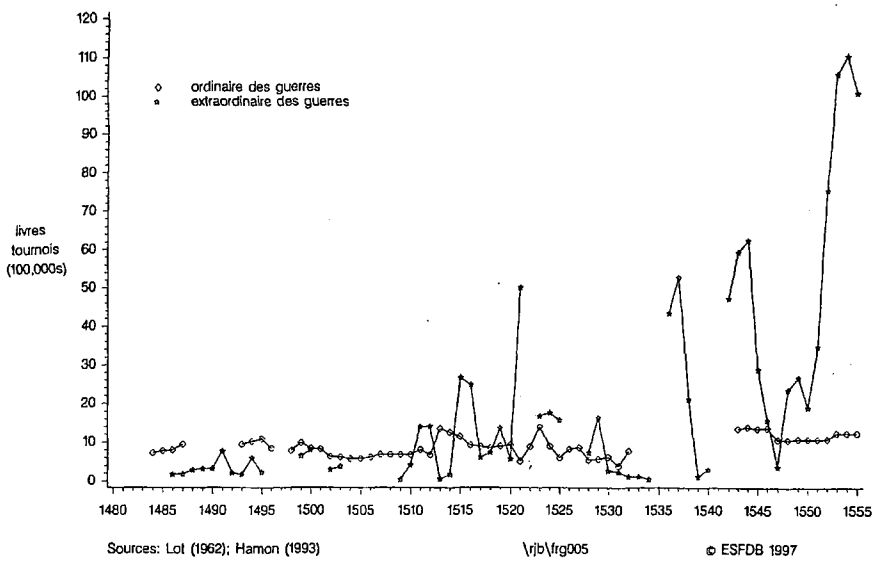

FIG. 4.4 Expenditure on war, ordinary and extraordinary, 1484–1555

ture for many of the years between 1484 and 1557 (Figure 4.4).[72] Much of this material has been analysed to ascertain whether or not there was a sustained rise in real terms of expenditure (and thus, given the weakness of credit structures, a rise of taxation) during the first half of the sixteenth century.[73] The cost of the military campaigns is very evident: the figures are not complete for Charles VIII's first incursion into Italy in 1494–5, but there is no doubt that it cost more than 3 million and perhaps as much as 4 million *livres tournois*;[74] the overall cost of Francis I's Marignano campaign in 1515–16 has been estimated at 7.5 million, while the war of 1536–8 may have cost 15 million.[75]

Expansion abroad had an immediate effect in terms of increased taxation, though this increase was related to the specific needs of campaigns and was not

[72] BN MS fr. 4523. The lists concerning the *ordinaire* and *extraordinaire des guerres* are reprinted by Lot (1962), 241–53.

[73] Hamon (1994); Knecht (1994).

[74] BN MS fr. 4523 fos. 43^{v} and 49^{v} have receipts of the *ordinaire* and *extraordinaire des guerres* respectively at 3.27 million and 2.26 million *livres tournois*, and expenditure on these accounts respectively at 3.02 million and 1.68 million for the years 1493–5, but note that the account for the first half of 1495 is missing for the *extraordinaire*. For the years 1494–5 only (but with the missing account for the first half of 1495) the figure for expenditure on the two accounts would be 2.93 million. Labande-Mailfert (1975), 513, contrasts 'les deux millions ou environ qui coûta l'entreprise de Naples en face des trois millions qui seront dépensés en moins de huit mois' by Louis XII, but the first figure seems too low.

[75] Hamon (1994), 45–6; Knecht (1994), chs. 9 and 17.

necessarily sustained (the increases under Charles VIII to pay for the first invasion of Naples were reversed by the time of his death).[76] The early opposition to the war is of interest. The campaigns were intended to be self-financing, but while provinces in the Midi such as Languedoc and Provence thought that there were gains to be made, the towns and provinces north of the Loire were unconvinced, fearing the export of bullion abroad ('ce royaume se videra d'or et se desséchera').[77] Such fears were perhaps unfounded, since the rise in military expenditure was not as sustained as might have been expected, given the extent of the rise in prices, and it was not until the reign of Henri II that a dramatic increase occurred (Figure 4.4).[78] This peak of expenditure in the 1550s coincides with the climax of the Emperor Charles V's borrowing to finance his military efforts against the Valois kings.[79] The intensity of the military effort during the Italian wars varied from year to year: the French invasions of 1494–5, 1515–16, 1521–2, 1523, 1525, 1527–8, 1542 (of Luxembourg and Roussillon), 1544, 1552 (of Germany) and 1553 were relatively exceptional. There were grave years of defeat such as 1525 and 1557; but there were also years which saw no fighting at all.

The rise in expenditure outpaced the increase in revenue. The rise in taxation under Francis I was thus greatly exaggerated by Sir George Carew. The rate of increase in the chief direct tax, the *taille*, was in line with the increase in population until the 1540s and 1550s and almost certainly did not keep up with the rate of increase in prices (Figure 4.5), a conclusion which is also borne out by the local evidence.[80] In real terms, we may conclude, the burden of the *taille* was less under Louis XII, Francis I and Henri II than it had been under Louis XI, and this situation did not change until the reign of Henri III.[81] During the reign of Henri III (1574–88), however, the *taille* increased two and a half times (from 7.12 million *livres tournois* in 1576 to 17.95 million in 1588), while indirect taxes virtually doubled (from 3.55 million in 1576 to 6.23 million in 1588).[82]

It was hardly surprising that the finances of the French monarchy deteriorated in the period of the Wars of Religion (1562–98).[83] Though the extent of the fighting varied from year to year, and there were even some years of truce which held in most of the localities, the problems became more severe with the passing of time. The collapse of the institutional structure for Henri II's borrowing, the

[76] Labande-Mailfert (1975), 513. [77] Ibid. 225.

[78] ESFDB \rjb\frg005 based on \frd013 and \frd014; BN MS fr. 4523; Lot (1962), 241–53.

[79] Muto in Bonney (1995*a*), 250, fig. 32.

[80] ESFDB \rjb\frg002 based on \rjb\frm001; Doren (1977); Potter (1993), 241, 334–9.

[81] Guéry (1985); Collins (1988), 55.

[82] Greengrass in Ormrod, Bonney and Bonney (1999) is the best modern account of the period.

[83] Ibid. for Greengrass's listing and interpretation of the surviving accounts. For the *états* of 1574 and 1575 (BN MS fr. 6413), consult ESFDB \green\frd001 to frd008.

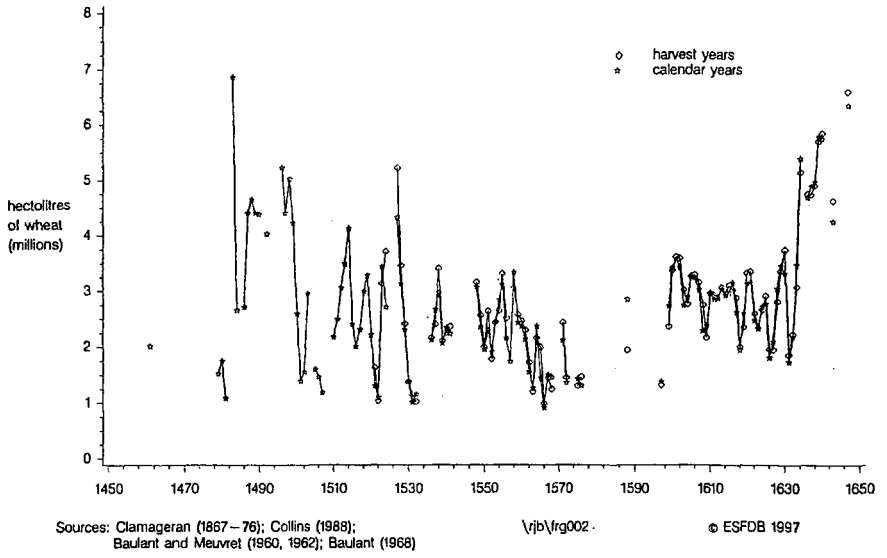

FIG. 4.5 The value of the *taille* in France, 1461–1647 (expressed in millions of hectolitres of wheat)

grand parti of Lyon,[84] undermined the crown's creditworthiness, so it was difficult for the monarchy to take the obvious route of borrowing its way out of trouble. Measures which Henri III was forced to contemplate, such as pawning the royal jewels, have an air of desperation about them which leads one to suppose that the great crisis of 1587–9 was both financial and political in origin.[85] In 1594, following Henri IV's agreements with the League magnates, secret expenditure alone reached almost 13 million *livres*, the highest figure before 1626.[86] By 1596, the deficit was stated as 10.8 million but the total indebtedness of the crown was considered to be at least 105 million, or an estimated 135 million if alienated royal domain and royal jewels were included in the calculations.[87] Subsequently, Sully estimated the debt at 296 million, of which 150 million was in alienated revenues and domains. The growing fiscal pressure in these circumstances was hardly surprising, but matters were made worse by the political divisions of the kingdom and competing tax demands from local military commanders. The peak of the tax pressure seems for the most part to

[84] Doucet (1933).

[85] Michaud (1972), 123; Bonney (1981), 29; Collins (1988), 55, comments on Henri III's 'desperation'.

[86] Bonney (1981), 44 n. 3, 308.

[87] BN MS fr. 6413, fos. 209–10.

have coincided with the height of the military conflict, the campaigns of 1590–2 (Figure 4.2).[88]

With the ministry of Sully (1598–1611) a new era opened up, and one which seemed to hold the possibility of a reduced debt, financial reform and a balanced budget. Despite the recourse to fictitious accounting, which set a dangerous precedent in the *ancien régime*, the achievements were real enough and the Huguenot Sully was undoubtedly honest, an important attribute in a finance minister and one not always found subsequently.[89] If the praise of the man whom Henri IV sought to convert to Catholicism for the prize of the Constableship[90] is rather less than overwhelming, it is because some of his more important reforms were of such short duration and were so easily reversed by his successors. Whereas he had sought to limit the increase in taxation, his successors, partly from profligacy but chiefly from the inexorable pressures of war finance, were unable to match revenues to expenditure. Ordinary revenues exceeded ordinary expenses under Sully but not thereafter until 1640:[91] the driving force in the overall budget was military and extraordinary expenditure, that is to say the direct and indirect costs of war (Figure 4.6)[92] which always exceeded actual (as against the projected) total revenue. By 1636, when revenues reached 108 million, the increase in real terms over nearly a century and a half may be measured with reasonable precision: from an average of 110 metric tonnes in silver a year under Francis I, revenues had risen to 242 metric tonnes by 1600 and had reached the phenomenal figure of 1,194 metric tonnes by 1636. A significant proportion of this increase had occurred because of the rapid depreciation of the money of account: the *livre tournois* was worth 8.69 grams of silver in June 1636 as compared to 17.96 grams in 1513.[93]

Do such calculations provide us with a realistic view of the growth of the fiscal power of the French monarchy? The devaluation of 1636 was part of a policy of deliberate monetary expansion to help provide funds to pay for the war against Spain,[94] and it may be argued that in periods when the supply of silver increased, as it did for much of the early modern period, to convert revenue or

[88] ESFDB \frg006 based on \frd020 and \frd021; Greengrass (1985), 124; Greengrass (1989), 115, 119; van Doren (1975). Greengrass (1985), 128, shows that Le Roy Ladurie's frequently reproduced graph of the *taille* at Montpellier seriously underestimates the total levy in the Wars of Religion, e.g. in 1589: Le Roy Ladurie (1966), ii, 1026; Collins (1988), 67, 147.

[89] His policies are discussed in Buisseret (1968); Barbiche (1978); Bonney (1981), 54–75. For Sully's honesty: Aristide (1990).

[90] Dickerman and Walker (1992), 183.

[91] Bonney and Bonney (1993), 98, 101.

[92] ESFDB \rjb\malet\malb030 based on \malm041; Bonney (1992*b*), 102; Bonney (1993), 386, 413.

[93] Hamon (1994), 558; Chaunu in Chaunu and Gascon (1977), 162, 178, 188, gives somewhat different calculations.

[94] Bonney (1981), 170–1; Bonney (1992*b*), 113; fig. 92 in Bonney (1995*a*), 526.

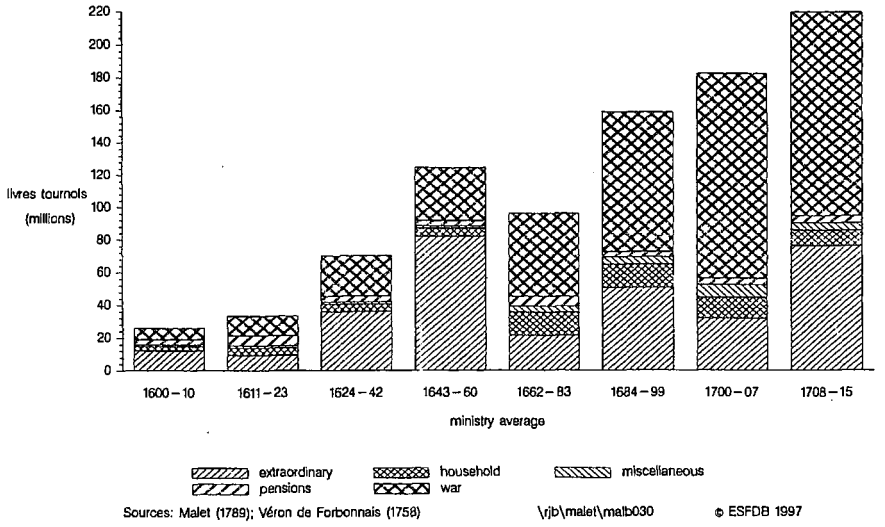

FIG. 4.6 Categories of French royal expenditure averaged by ministry, 1600–1715

expenditure figures into constant silver values incorporates a distortion.[95] The Physiocrats followed Boisguilbert and argued that the state's resources in real terms should be measured in grain equivalent. Thus Le Trosne contended in 1778 that Louis XVI two years earlier had had an income equivalent to 12.5 million *sétiers* of grain[96] compared with that of Louis XII which had been equivalent to 15 million, but which had been less encumbered by fixed outgoings.[97] In the intervening period there had been a real increase in taxes, though even with the patchy survival of evidence the real growth of direct taxes as expressed in the gross levy of the *taille*, for example, was slight between the 1520s and 1630s (Figure 4.5) and easily discounted by a larger population and higher national output. Thereafter the levy of the *taille* and its ancillary taxes stabilized at about 30–5 million *livres*.[98] Necker's position on the *taille* was clear: it might not be possible to do without it, but there should be no further increases without registration in the *Parlements*, a measure enacted in February 1780.[99] In the long term, inflation would thus reduce the proportionate importance of the tax.[100]

Though it is possible to use a grain conversion, there are disadvantages in

[95] Riley (1987), 230; cf. Riley and McCusker (1983).

[96] For further details, cf. the introduction by Bonney in Bonney (1995*a*), 15–16.

[97] Clere in *État, finances et économie* (1991), 86 n. 21.

[98] Collins (1988), 218–19.

[99] Harris (1979), 190; Necker (1791), 137; Marion (1910), 46, 174–8; Bonney in Bonney (1995*a*), 479.

[100] ESFDB \rjb\elego06; Bonney (1992*b*), 119, amended in Bonney (1995*b*).

doing so to measure the growth of the fiscal power of the state. Grain prices frequently rose more than those of other commodities, but no general index of commodity prices has won acceptance; moreover, though the state might be a large purchaser of grain or other commodities, it cannot be said that it was primarily concerned with this form of activity in normal circumstances. At best, the conversion into grain values merely offers a deflator if the rate of increase in revenues is considered over the long term.[101] At worst, it is seriously misleading since a period of high grain prices appears to deflate a simultaneous increase in taxes, as in 1692–5.[102] Yet the combined effect of the introduction of a new direct tax, the *capitation*, and the loss of population in the great famine of 1693 can only have increased the real fiscal burden for the majority of taxpayers, since relatively few peasants produced a sufficient surplus even in normal years to have benefited from the rise in prices.

A more critical item than the purchase of grain for all states, but especially of France in the era of its 'national greatness', was the cost of the armed forces. It is possible to calculate the value of a state's revenues in terms of its capacity to purchase soldiers for specific periods, and after the 'military revolution' had made its main impact (that is, by the end of the seventeenth century) the size of the military establishment may be taken as one indicator of the real fiscal power of the state. Expenditure on the army by 1708–14 averaged 218 million *livres*, whereas in the Dutch War of 1672–8 it had averaged only 99 million.[103] Most of this increase was accounted for by two developments: the growth in the size of the army and the decline in the purchasing power of the *livre tournois*. Under Richelieu in 1635–6, there was provision for an army of 150,000–200,000 men, but these were figures on paper, and the actual size of field armies was significantly lower (perhaps 125,000 men). In 1632, the unit cost for a cavalryman per annum was calculated at 444 *livres*, and that of an infantryman at 203 *livres*, although the unit costs tended to rise in wartime.[104] By 1689, there were 158,000 men under arms; the figure had reached 273,000 by 1691 and peaked at an estimate of 400,000 men by 1693 (perhaps 340,000 men were actually under arms).[105] The inexorable rise in military expenditure during the War of the League of Augsburg (Figure 4.7)[106] and the War of the Spanish Succession (Figure 4.8)[107] is well known, but it

[101] ESFDB \rjb\malet\malgo39; Bonney (1992*a*), 158, amended in Bonney (1995*b*).

[102] Lemarchand (1989), 157. The two indices calculated by Hoffman in grain values show a slight fall in the 1690s: Gelabert in Bonney (1995*a*), 563.

[103] Bonney (1991), 190; Bonney and Bonney (1993), 23.

[104] Bonney (1981), 173 n. 3.

[105] Militia figures are excluded from the calculations here. Bonney in Bonney (1995*a*), 322, cites the older authorities; Lynn (1994, 1997) updates the figures and refines the methodology.

[106] ESFDB \rjb\forbon\forbo06 based on \formo02; proportions of expenditure in Bonney and Bonney (1993), 60.

[107] ESFDB \rjb\forbon\forbo07 based on \formo03; proportions of expenditure in Bonney and Bonney (1993), 62.

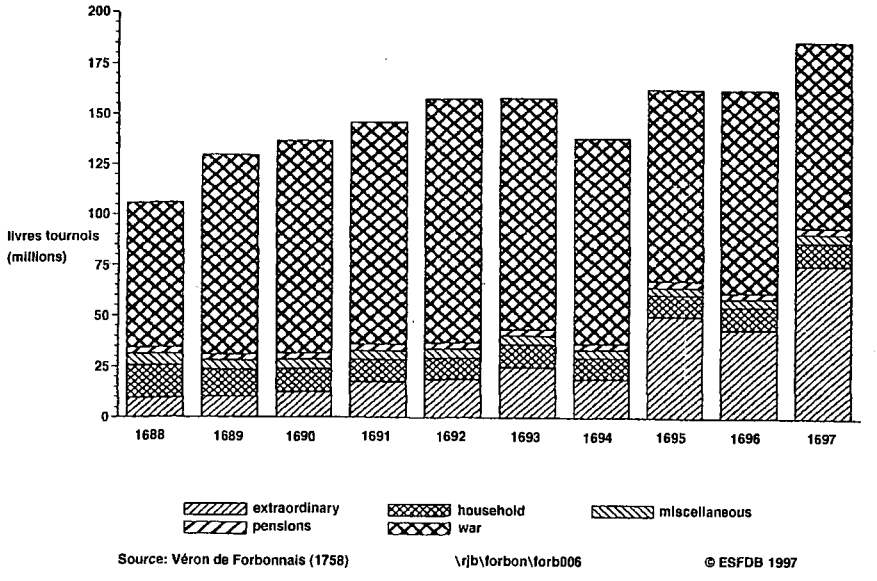

FIG. 4.7 French royal expenditure during the War of the League of Augsburg, 1688–97

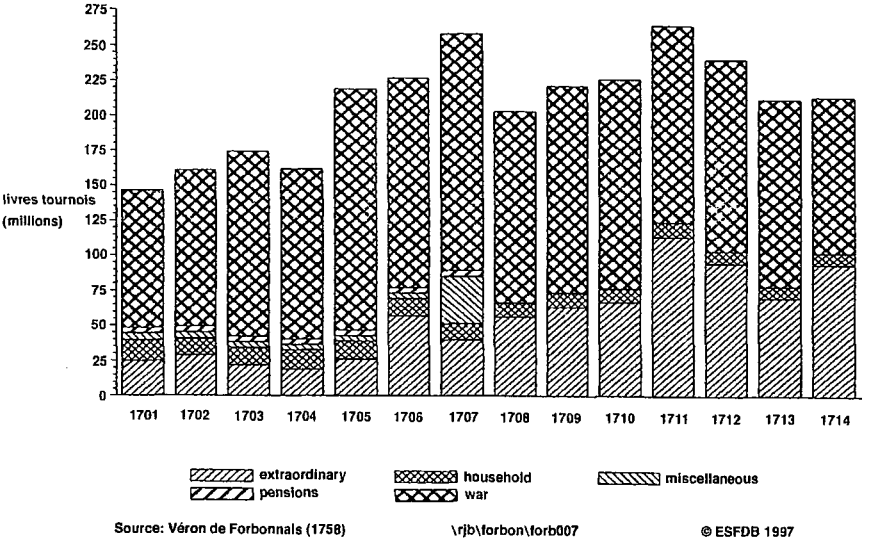

FIG. 4.8 French royal expenditure during the War of the Spanish Succession, 1701–14

must be remembered that such costs were not solely a consequence of an increase in the size of armies.

The fundamental problem arose from the combined costs of war on land and at sea. After 1692, and especially after 1704, the maritime struggle had to be abandoned in favour of a policy of commercial depredation (*guerre de course*) in order to support the simultaneous military effort on three war fronts in Europe (Flanders, Italy and Spain). The intendant Bernage, for example, had to ensure the subsistence of an army of 100,000 men in Artois in 1709.[108] The combined effects of the terrible famine of 1709, resulting depopulation, monetary instability and additional direct taxation in the form of the *dixième*, almost certainly produced the peak of fiscal pressure for the whole of the *ancien régime*.[109] It was the interaction of the state's demands with harvest fluctuations which determined the real fiscal burden carried by the majority of taxpayers.[110] And yet despite the crisis conditions in the last years of Louis XIV's reign, the new tax was paid, and a new army was levied which won a crucial victory at Denain in 1712. It was therefore no wonder that French absolutism, which perhaps alone of the west European states could have imposed the *dixième* in such circumstances and so speedily, was feared and admired abroad. Heinsius, the grand pensionary of Holland, had warned Marlborough in 1710 almost immediately when Louis XIV authorized the levy of the new tax, and there is something to be said for Malet's argument that it was the existence of this new war fund which convinced the Allies that they had to make peace at Utrecht.[111] A system largely without consent to taxation (at least during the personal rule of Louis XIV and in the *pays d'élections*) appeared better able to withstand a long war than a 'constitutional' system such as that in England, which witnessed a shift from the Whig pro-war party to the Tory peace party in the general election of 1710.

The death of Louis XIV left the Regency with massive debts, the precise scale of which is of some importance. Law's critics sought to reduce the figure for the total debt in 1715 to strengthen their argument that the System had worsened, rather than alleviated, the debt problem. On balance, it would seem that Law's

[108] AN G^7 92, 18 Sept. 1710; cf. AN G^7 324, no. 80, 1 Apr. 1720.

[109] Cf. Lemarchand (1989), 153–7, whose remarks need to be qualified by the absence of population evidence for his region before 1695 and the survival of only one roll for the first *dixième*. Even so, he argues (ibid. 153): 'La guerre de Succession d'Espagne marque un brutal accroissement et même le maximum de la période du XVII^{e} siècle à 1756.' But by 1756 there had been a substantial population growth and the coinage had stabilized. Cf. ibid. 296, 301–3. The tables in Hoffman (1986), 46, and Hoffman in Hoffman and Norberg (1994), 238, provide an interesting study of the evolution of the per capita fiscal burden, but arguably they fail to take into account the interaction of factors described here. ESFDB \rjb\frd012; \rjb\frd015.

[110] Gelabert in Bonney (1995*a*), 560; ibid. 563, figs. 96, 97.

[111] Bonney (1991), 197; Bonney and Bonney (1993), 91; cf. Monahan (1993).

System did increase the debt, but by much less than his critics claimed, and had the predicted growth in national income occurred simultaneously royal revenues would have increased so much that the problem of the national debt would have faded into insignificance. The failure of the System aggravated the problem it had sought to resolve. Even after the arbitrary reduction of paper debts by the *visa*, the debt was still some 1,700 million[112] and there is little doubt that it took the rest of the 1720s before France began to escape from the impact of the collapse of the System. The revaluation of the *livre tournois* in 1726, and its relative stability until 1785, provided much needed confidence in the currency, which had previously been the sacrificial victim of an aggressive French foreign policy.

French revenues in peacetime expanded from 207 million *livres* in 1727 to some 344 million in 1768. This amounted to a modest increase in real terms by 1768, depending on the way in which inflation is calculated. Crucially, the peacetime burden of taxation seems to have declined in real terms from one era of peace to the next,[113] and here the tendency of the sovereign courts to impose time limits for the duration of additional direct taxes (especially on the *vingtième*, the successor to the *dixième*) assumes considerable significance. Military operations were on a relatively small scale before the outbreak of the Seven Years' War in 1756: the financial demands of the War of the Polish Succession (1733–8) were contained successfully, while even the War of the Austrian Succession (1740–8) failed to produce a financial calamity for France.[114] One reason for this was that the theoretical maximum figure of 400,000 men in all theatres of war permitted by the resources of the French monarchy was never attained: there was a marked decline in the size of French armies between 1710 and 1792, which were usually of the size of 150,000–200,000 men.[115]

The Seven Years' War (1756–63) and the French participation in the War of American Independence (1778–83) proved more costly, though in the first war the French navy was largely blockaded while the second conflict chiefly involved the French navy rather than both navy and army. Both wars were financed to a considerable extent by loan income, if only because new loans were easier to secure than increases in direct taxation (which increasingly required the agreement of the sovereign courts) and yielded their income much faster. The end of each war in the eighteenth century resulted in a significant problem of debt rescheduling: the difficulty for ministers was that it was

[112] The debt was reduced by some 257–700 million (depending on which evaluation of the debt is accepted for the year 1715). Bonney (1992*a*), 171 n. 87, 173; Félix (1994*b*), 606.

[113] Sources cited by Bonney in Bonney (1995*a*), 325 n. 62.

[114] Morineau (1980), 303, 307; Riley (1987), 237. For the *Parlement* of Paris: Swann (1995).

[115] Lynn (1980), 579, 581.

politically much more difficult to borrow in peacetime than in time of war.[116] Even so, towards the end of Necker's first ministry in 1781, it had become clear that this policy on its own could no longer work[117] and that new or increased taxes would have to be raised.

By the end of the war in 1783 (and the situation had not changed by the outbreak of the French Revolution), the French debt was smaller than the British in terms of value, and considerably so in terms of its ratio to gross national product and to income per capita. However, debt becomes significant when it cannot easily be serviced. When expressed as a proportion of the debt, debt charges in France were much higher than in Britain; so too was the proportion of debt service costs to tax revenues. France maintained a consistently lower burden of debt interest on its tax revenues, but gained no benefit from its policy, since Britain paid for its national debt by raising taxes, whereas France was forced to contain its debt by partial defaults such as that ordered by Terray in 1770. The rate of interest was also higher in France.[118] Louis XVI made a conscious choice at his accession in 1774 not to repudiate the public debt, and this remained his position throughout the reign.[119] Yet without periodic repudiations, of one type or another, it has been argued that the state could not survive because of the persistent, and growing, deficit.[120] The escalation in peacetime borrowing was the inevitable consequence of Louis XVI's policy: between April 1783 and November 1787, the sum of 570.4 million *livres* was raised in net borrowing. Debt servicing costs in peacetime more than doubled from 28 per cent of total expenditure in 1751 to 49.3 per cent in 1788.[121]

Already by 1783 something of the financial impasse which so paralysed the government in the years immediately preceding the Revolution had been reached. Calonne's reform plan[122] was an obvious, if in the event highly unpopular, scheme (inspired by Physiocrats such as Du Pont de Nemours) by which the monarchy might hope to escape from this paralysis. Attempts were being made to float new loans even as late as the 'ministry of the hundred hours' during Necker's temporary fall from power (11–14 July 1789);[123] but in 1788 and the early

[116] Le Goff in Ormrod, Bonney and Bonney (1999) is the fundamental interpretation of the government's debt rescheduling operations in the 18th cent.

[117] White (1989) contests this point.

[118] Harris (1976); Weir (1989); Bonney in Bonney (1995*a*), 345.

[119] Root (1994), 211, 228–31, discusses the reasons for the king's attitude; Bonney in Bonney (1995*a*), 347.

[120] Velde and Weir (1992), 36.

[121] Ibid. 20 (table 2); Crouzet (1993), 61, 78 (citing different estimates of Taylor and White).

[122] Goodwin (1946).

[123] Price (1990), 330; Bonney (1992*a*), 174. Note the contradiction between this and the undertaking given in the king's declaration of 23 June 1789.

months of 1789 the only man who could secure new loans was indeed Necker. The central preoccupation, however, was the high cost of debt servicing. Modern warfare, Necker argued at the Estates General on 5 May 1789, could not be paid for out of current revenue. There would always need to be loans and protection for the rights of creditors. In the meantime, France was at peace and the 'great enterprise' had to be the regeneration of the kingdom. In this, the Estates General was to have a crucial role since its periodicity was now guaranteed even under the terms of the reactionary declaration of the king's intentions of 23 June 1789.[124]

With the reconstitution of the Estates General as the National Assembly on 17 June under the influence of the ideas of Sieyès, now the dominant personality rather than Necker,[125] the director-general of finance lost control of both national politics and financial policy. The minister was disinclined to bargain and lobby with the deputies, while a hardline minority in the Assembly loathed finance ministers and the ministry in general, and saw the perpetuation of the crown's financial difficulties as the best hope for the success of the Revolution. Necker was prepared to offer a treasury board to run the kingdom's finances, which was something proposed by the Assembly of Notables in 1787; but in March 1790 the National Assembly's finance committee rejected most of his proposals.

Though Necker managed to delay the proposal to issue 1,900 million *livres* in paper currency (*assignats*) at the end of August 1790, his resignation a few days later removed the obstacle to financing the Revolutionary Wars by means of inflation. The 'great inflation' thus began and was greatly accelerated after the outbreak of war in 1792 (Figure 4.9).[126] By 1795, 7,000 million (at stable *assignat* values of 1790) had been provided in revenue, equivalent to fourteen years of 'normal' revenue. Yet, far from yielding the supposed benefits, the result was economic and financial disaster. Inflation as a form of taxation was even more regressive than the hated taxes of the *ancien régime*. Events were to prove that the Revolution was much more effective at destroying the fiscal system it loathed than at replacing it with a viable alternative, while fiscal resistance had grown with the agitation over the summoning of the Estates General and the

[124] Harris (1986), 61–3, 272, 419, 422, 424. Under the terms of the king's declaration of 23 June 1789, no new tax could be established, or the term of an old one extended, without consent; newly established taxes, or old ones which had been extended, were effective only until the next session of the Estates General. New loans were not to be contracted without consent except in wartime, when there was to be a limit of 100 million *livres* on loans without consent.

[125] Ibid. 481–2, 489; Forsyth (1987), 3.

[126] ESFDB \rjb\frboo8 based on \frdo24 (nominal figures), based on Crouzet (1993). For a graph of the *assignats* taking inflation into account: Brezis and Crouzet (1995); Harris (1930), 52–3; Aubin (1991); White (1991); Murphy (1990).

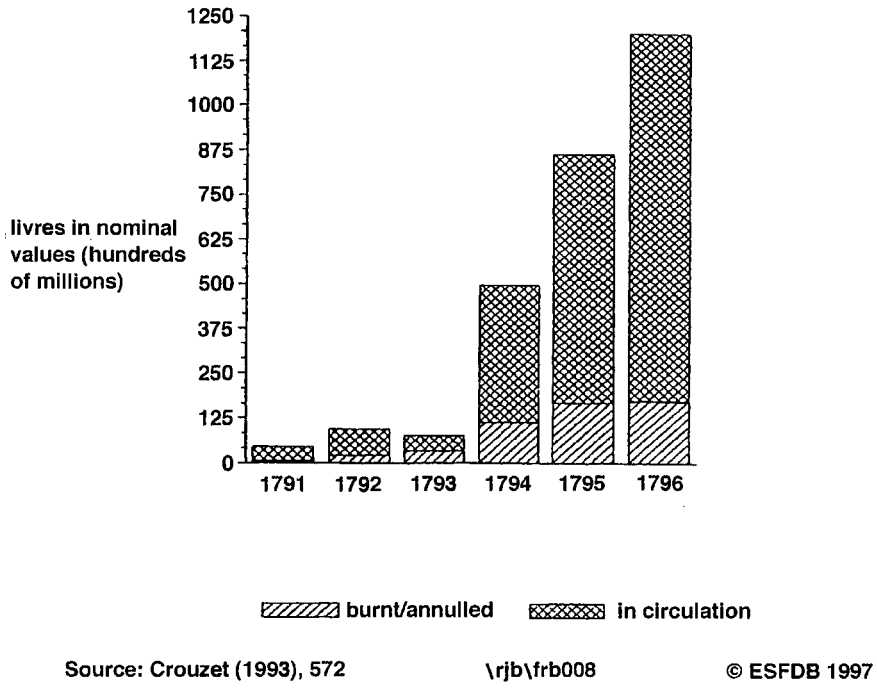

FIG. 4.9 The issue of *assignats* in France, 1791–6

subsequent debates on tax reform. It is one of the ironies of a Revolution that was to resort to Terror in 1793 that it singularly failed to secure tax compliance in the new departments: tax collection did not become really effective, nor were revenues stabilized, at least in nominal terms, until 1797. Indeed, it took so long to recover from the errors and naivety of the Assembly in 1789–90 (which had abolished indirect taxes without considering how to replace the revenue yield that had been surrendered by this decision) that there was little or no real increase in taxation (as against non-tax revenues) between 1789 and 1815 despite the spiralling military costs of almost continual warfare after 1792 (Figure 4.10).[127]

As the war turned into a national crisis, the Convention was forced in August 1793 to decree the *levée en masse*. The effective *ancien régime* limit on the size of the French army (200,000 men in 1789) was cast aside: by September 1794, the army was nominally at the level of 1.17 million men, although only about 750,000

[127] ESFDB \rjb\frg007 based on \frm003; Bordo and White in Bordo and Capie (1994); Bruguière (1991), 518–20; Braesch (1936); Bruguière (1969).

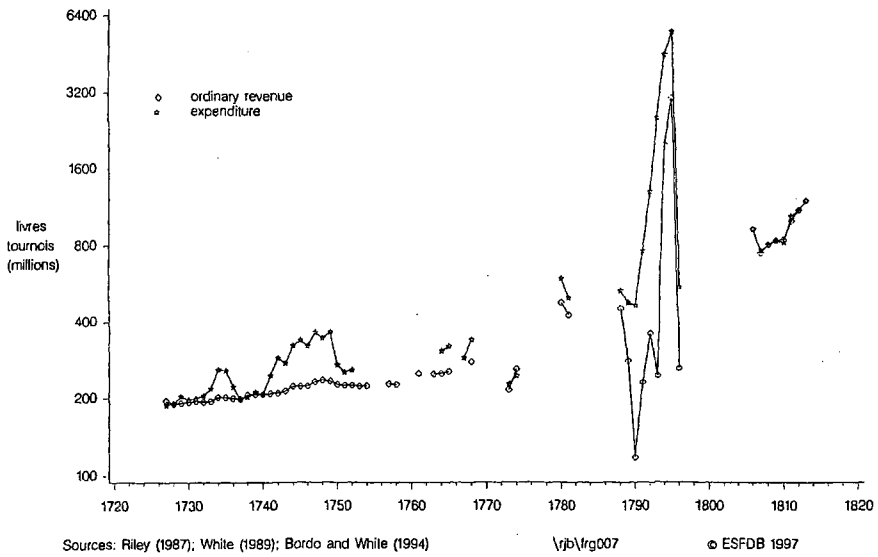

FIG. 4.10 French ordinary revenue and expenditure, 1727–1814

were fully equipped and trained for battle, and desertion was soon a significant problem.[128] At home, the costs of the army could only be paid for by a command economy with the regime of the 'maximum price' (May 1793–December 1794), which opened up the prospect of 'inexhaustible treasures' to the Convention. Later, with the abandonment of the command economy and the gradual return to sound money, only military victory could ensure effective payment of the army and a lighter fiscal burden for 'active' citizens in France rather than citizens in the occupied lands. The French armies had to live off the conquered territories abroad in 1794–8, otherwise they could not be paid.

Thereafter, it was essential that the Empire should be self-reliant because of the spiralling costs of war: Napoleon presided over an extraordinary growth of expenditure, which (if the figures are to be believed) virtually doubled in nominal values between 1801 and 1813, from 549.6 million to 975.5 million, attaining a billion francs in 1811 and 1812.[129] On the revenue side, the most important single source of income arose from military success, which provided indemnity and other extraordinary levies paid into the Emperor's *domaine extraordinaire*. Despite many uncertainties due to Napoleon's retrospective balancing of the budget, it seems that the campaigns of 1806 and 1807 yielded revenues which

[128] Delmas (1992), 242; Bonney in Bonney (1995*a*), 351.
[129] Bonney in Bonney (1995*a*), 357, fig. 43.

covered one-third of France's budgeted expenditure, in addition to the maintenance of the army abroad. Napoleon's government also reintroduced indirect taxes so that the excessive reliance on the direct taxation of land in the 1790s was not continued long into the new century.

III

The two most decisive structural changes to the royal finances in the period after 1520 were the development of venality of office and a permanent debt in the form of annuities (*rentes sur l'hôtel de ville*). Offices were sold to produce new revenue, but an annual interest charge (the *gages*) had to be paid to at least some of the current holders of the offices which had been alienated permanently. There was a fierce debate on the significance of venality in the first half of the seventeenth century, and ministers such as Richelieu and Colbert began their period of office with a reforming intent to abolish, or at least severely restrict, venality. Henri IV and Sully tried to create a regular source of income from office-holding by taxing the right of resignation through the scheme known as the *droit annuel*, which was introduced in 1604; subsequently, at each renewal of the *droit annuel* a forced loan or *prêt* was demanded of the office-holders;[130] and then, in the crisis of 1709–10, the office-holders were required, on a once and for all basis, to purchase exemption from both *droit annuel* and *prêt* in a new scheme known as the *droit de survivance*.[131] The once and for all exemption from the *droit annuel* was reversed in 1722. The *droit annuel* was reintroduced and then lasted until 1771, when it was replaced by the *centième denier*.

Overall, the effect of venality of office was to create an enormous administrative apparatus which was largely outside the direct control of the crown. On the one hand, it exacerbated the revenue problems of the crown, since a number of taxes had to be earmarked in advance (in contemporary parlance 'assigned') to meet the annual salary bill of the office-holders; while, on the other, it precluded clear administrative solutions to fiscal problems since the office-holders could block reforming measures, as both Law and Necker discovered. Venality of office and the consolidated debt consumed much of the tax revenue from the provinces: the payment of *rentes* represented a significant burden on royal expenditure, although the *gages* as such were not particularly costly.[132] Much tax revenue was never transferred to the centre, but was simply assigned locally to meet expenses incurred for the payment of *rentes* and *gages*;[133] for this reason,

[130] Mousnier (1971) remains fundamental on this process.
[131] Bonney (1992*a*), 153 n. 13; Bonney and Bonney (1993), 68–9.
[132] Bonney (1991), 189–90; Bonney (1992*a*), 153 n. 14; Bonney and Bonney (1993), 21, 23.
[133] Beik (1985), 266.

there is a practical, as well as semantic, difficulty in ascertaining the true 'net' revenue even after Colbert's accounting reforms of the 1660s.[134]

In the eighteenth century, the crown continued to draw upon the sale of offices as a source of income, while the values of offices remained buoyant.[135] Although Montesquieu justified venality, Véron de Forbonnais and Necker criticized it; Diderot argued that venality was an evil, but a necessary one: the tenured magistrates were a bulwark against despotism. In most cases, the defence of venality at the end of the *ancien régime* was grudging and conditional.[136] Offices were not bought out (that is, this particular form of consolidated debt was not redeemed) until after the French Revolution. In the 1660s, Colbert had estimated the capital value held in offices at 419 million *livres* (at this time, there were over 46,000 office-holders). In 1790, the commission for the settlement of the public debt (*Comité de liquidation*) placed a figure of 200 million *livres* on the value of the offices to be redeemed at penal rates well below the market value,[137] but in the event there was a vast inflation of the costs of abolition and in excess of 800 million was spent in reimbursement during the 1790s.[138]

After 1715, it became clear that the French kingdom was dependent on a corporate structure of public debt and one which was inefficient in comparison with its main rival, Britain, not least because its subordinate credit structure was less extensive.[139] This corporate structure was already in existence in the seventeenth century, but the full extent of the government's reliance on it was obscured by a simultaneous recourse to short-term loan income and new fiscal measures or tax contracts (*affaires extraordinaires*).[140] Estimates vary somewhat, but at least 838 million *livres* were raised in net income from this source between 1689 and 1715,[141] although the *affaires extraordinaires* were already being used more sparingly under Desmaretz's ministry (1708–15). Such devices were not abandoned altogether under Louis XV, but the preferred alternative was the creation of annuities and life rents which were politically less contentious and on which the rate of interest was guaranteed for the 'investor'. The concept of 'investment' in support of the French finances was itself relatively new. Before 1715, *rentiers* had seen the regular arbitrary withholding of interest payments in

[134] Bonney (1991), 204; Bonney and Bonney (1993), 41; Collins (1988), 113.

[135] Bien in Baker (1987); Doyle (1984).

[136] Doyle (1992, 1997).

[137] Bonney (1978), 450 n. 2; Pinaud (1991).

[138] Doyle (1996), 309–10 (though many office-holders were reimbursed in *assignats* which declined in value during the period of the liquidation).

[139] Weir (1989); Root (1994), 216–17; Hoffman, Postel-Vinay and Rosenthal (1992), 305, suggest that the subordinate credit structure was affected adversely by government borrowing.

[140] Bonney (1992*b*), 113, graph 3.

[141] Bonney and Bonney (1993), 69. This revises upwards the figure of 719 million *livres* cited in Bonney (1992*a*), 151.

successive financial crises. They had protested, usually in vain, while successive breaches of trust on the part of the government in 1698, 1714 and 1721 had had a devastating effect on the subordinate credit market which took years to repair.[142] And then, by the mid-eighteenth century, a new phenomenon emerged: a specialized market in loan schemes which was technically more sophisticated in the skills of life expectancy calculation than most of the advisers of the government which had issued the loans in the first place.[143]

Those who participated actively in financial affairs (the omnipresent financiers or *gens d'affaires* of the late sixteenth and seventeenth centuries)[144] made rapid fortunes in moments of adversity for the crown, only to undergo retrospective taxation in the form of fines levied by periodic extraordinary financial tribunals (*chambres de justice*), the last of which met in 1716. Such instability in the conditions of contracts negotiated by the crown inevitably forced up interest rates. Desmaretz reported that this had happened after the establishment of the *chambre de justice* of 1661–5, and he himself was no friend of such tribunals.[145] The alternative strategy was better supervision of the financiers, and there is some evidence that this was the case already under Louis XIV. When the great Languedoc financier Pennautier died in 1711, Basville, the intendant, drew up the inventory of his wealth after being empowered to do so by a decree of the council—though his intervention was probably to keep the Estates of Languedoc at bay.[146]

Such supervision could not be taken too far. The collective importance of receivers-general and revenue farmers as lenders to the crown gave them considerable political clout—one which was sufficient to help dispose of several of the controllers-general of finance during the ministerial instability of Louis XV's reign. Most finance ministers were prepared to concede, with L'Averdy, that since the receivers and farmers-general controlled 200 million or so of the crown's revenues, there was simply no choice but to do business with them. The government did succeed in bringing into operation closer scrutiny of the profits

[142] Hoffman, Postel-Vinay and Rosenthal (1995), 270, 273, 278. Cf. eidem (1992).

[143] Crouzet (1993), 67–71; Bonney in Bonney (1995*a*), 224. The publication of Deparcieux's life-annuity cost tables in 1746 was an important stage in the process of creating an informed public opinion.

[144] The main studies are Dessert (1984); Bayard (1988), and, for the financiers who ran the clergy's affairs, Michaud (1991).

[145] Boislisle (1874–9), iii, 686, memorandum of 28 Jan. 1717: without credit and confidence 'nulle opération n'est practicable en finance . . . Il ne convient pas de ruiner et déshonorer les financiers, à moins qu'on ait un système certain pour s'en passer absolument; car les hommes ne peuvent travailler sans objet d'intérêt et d'honneur pour eux et leurs familles, et il paroït de la politique de ne les pas rendre odieux aux peuples.'

[146] Michaud (1991), 502; AN G^7 318 no. 14, 7 June 1712, judgement of Basville against the Estates of Languedoc and in favour of the Pennautier family.

of revenue farmers, which had been exclusively a private business matter before the reign of Louis XV, but such scrutiny and its associated phenomenon of profit-sharing was still not taken very far in the eighteenth century.[147] Although the transfer from administration by office and revenue farm to direct administration or *régie* was a European trend in this period, it is clear that France did not adopt the solution of the Austrian Habsburgs in some of their lands, which was to combine the revenue farm with an aspect of direct administration by reserving one-third of the profit of the farm to the crown and appointing administrators to ensure proper accounting. Instead, France remained (except for the years of Necker's changes) bound by the traditional forms of office, sureties, separate *caisses* and revenue farming.[148]

Nevertheless, 'overhead' costs, in modern economic parlance, had to be brought down, which meant not merely that interest rates payable to financiers had to be reduced but also that there must be greater administrative efficiency. John Law considered the accumulation of cash in separate treasuries an abuse and argued the first coherent case for the integration of the separate revenue machines for direct and indirect taxes.[149] Law's *Compagnie des Indes* took over the lease of the general farms on 27 August 1719, with an offer to lend the crown 1,200 million at 3 per cent per annum. The *recettes générales* and *pays d'impositions* were added on 12 October 1719. Only the *pays d'états* remained firmly outside the newly integrated revenue raising process. But with the collapse of Law's System, the process of amalgamation was put firmly into reverse in January 1721. Turgot disagreed with Law on the central point: 'the reserves and the stock of money accumulated by the (revenue) farmers' were not, he contended (in contrast to Law), 'a bad thing in themselves, and should not be counted among the drawbacks of this type of taxation'. On the other hand, Turgot also commented that 'the excessive profits' of the revenue farmers were 'undoubtedly an evil, because they are grasped from the people and because, as they never enter the coffers of the prince, they force the latter to raise the tax'. He also considered it an evil 'that these profits are spent in Paris, just as it is an evil that the large landowners spend their revenue in Paris'.[150] Only on one other occasion in the *ancien régime* was even part of Law's scheme repeated: Necker's reduction of the *receveurs généraux des finances* from 48 to 12 in 1780 had to be rescinded the following year. Necker's figures for the administration of the *aides* and *domaines* under the *régie* of Jean

[147] Eugene White concludes that 'the process was slow and halting, reflecting the political inertia of the *ancien régime*': White (1997), 118.

[148] Bosher (1970).

[149] Bonney (1992*a*), 172. The clearest statement of this was in the *Histoire des Finances pendant la Régence*, which is now considered to have been written by a supporter of Law rather than by Law himself.

[150] Groenewegen (1977), 122.

Vincent René (six years from 1 January 1781) suggest that indirect taxes could be administered more efficiently than under the traditional system of revenue farming.[151] The decision of the Revolution to dismantle the *ferme générale* in May 1794 and to guillotine 28 of the last group of *fermiers généraux* for 'toutes espèces d'exactions et de concussions sur le peuple français' was a final verdict on a revenue raising system which seemed out of control and carried too high an overhead cost.[152]

IV

Virtually all finance ministers from Colbert to Necker shared the objective, in Louis XVI's words, of 'improving the revenue of the state and assuring a stable surplus by a more equitable assessment of taxation . . .'[153] The problem was how to achieve this laudable aim. The differences in the relative contribution to the Treasury from the French regions reflected variations in the administrative structure of the provinces, which to some extent were an inheritance from the past. When the late medieval duchy of Brittany was incorporated into France, one of the first acts of Charles VIII in 1491 was to reduce its fiscal burden, which had been resented by the Breton nobility.[154] A century later, on the accession of Henri IV in 1589, fiscal concessions were granted in the hope of winning away supporters from the Catholic League: but because the Navarrist army was operating in Normandy, it received a remission of one-third, whereas the rest of the kingdom received a remission of only a quarter, of the amount of the *taille*.[155] The extension of the frontiers of the kingdom under Louis XIV resulted in the granting of further concessions: when Roussillon was incorporated in 1659, its ancient privileges were guaranteed by the terms of the Peace of the Pyrenees. One of the most important of these was the province's exemption from the *gabelle* under a decree of Peter II of Aragon in 1283. The attempted imposition of the *gabelle* in 1661 provoked an insurrection which lasted until 1674; in 1668, the price of salt was fixed on a permanent basis, although this agreement was breached in the later eighteenth century.[156] The consensual, almost semi-contractual, basis of the monarchy was a fundamental impediment to fiscal reform.

In those provinces where the estates survived (the *pays d'états*) there might be a formal absolutism, but negotiation and argument were the norm in dealing

[151] Bonney (1992*a*), 172–3.

[152] Ibid. 175.

[153] Hardman (1993), 113.

[154] Kerhervé (1987, 1992).

[155] BN MS fr. 6413, fo. 160, which revealed that the *taille* had fallen by 3.6 million *livres* as a result of the remissions.

[156] McPhee (1993), 320, 334–5.

with the estates,[157] and the resulting agreements were enshrined in formal contracts.[158] Lefèvre d'Ormesson asserted (though Necker contested the point) that the *vingtième* was the only tax which was 'uniform throughout the whole kingdom and consequently the only one susceptible of establishing a fair basis of comparison between the various provinces'.[159] The fixed contracts (*abonnements*) enjoyed by certain *pays d'états* demonstrated that d'Ormesson's view was erroneous. The originality and importance of Calonne's plan for a land tax (*subvention territoriale*) was that no *abonnements* would have been allowed: this was one of the crucial principles on which Louis XVI disallowed discussion at the Assembly of Notables (28 February 1787).[160] All this served to demonstrate only that for too long the crown had failed to grapple with the problem of a fair distribution of direct taxes between the provinces in accordance with their size, population levels, economic wealth and other 'real' factors in the economy. By the 1780s, there was clearly an attempt in some provinces to implement a form of cadastral reform in the localities, or at least to take such 'real' factors in the economy into account despite very real obstacles to this: we are best informed about Henry de Richeprey's work in Rouergue and Quercy.[161] But no such effort was made in the seventeenth century, despite Colbert's wish to regularize the land tax and a couple of meetings held between the provincial intendants of the *pays de taille réelle* in 1680–1.[162] Malet's figures for the regional distribution of direct taxation in seventeenth-century France certainly underestimate the total fiscal burden of the *pays d'états*; but they may well provide a reasonable guide to the balance between the *pays d'élections* and *pays d'états* from the Treasury perspective, that is the available revenue to the Treasury which was not disbursed locally.[163] The French crown continued to rely disproportionately on income from the *pays d'élections* throughout the *ancien régime*. Had all France been *pays d'états*, French intervention in the Thirty Years' War, and in the later wars of the seventeenth and eighteenth centuries, could not have been sustained. One of the permanent changes of the Revolution in 1789–90, with the abolition of provincial privilege

[157] Sturdy (1986), 119. [158] Bonney (1992*a*), 152 n. 8.

[159] Hardman (1993), 75; cf. Necker (1791), 156, 158.

[160] Hardman (1993), 109, 118. It was also to have applied to all land without exception, and to have varied with the yield of the crop.

[161] Guilhamon (1952–67); Jones (1985), 155–6, for a summary of the 'incomparable survey' of Jean-François Henry de Richeprey in 1780. The author is indebted to Professor P. M. Jones for this point.

[162] AN G^7 131, 30 June 1680, a meeting between Faucon de Ris, D'Aguesseau and Foucault at Montauban. There was a need for a further meeting of five intendants at Montpellier 'pour y mettre la dernière main'. This took place in Feb. 1681, and was expected to last a fortnight because of the difficulty of incorporating the practices of Provence and Dauphiné, which were 'contraires aux autres': G^7 132, 12 Feb. 1681. The initiative and presidency rested with D'Aguesseau, intendant of Languedoc: G^7 295 no. 261, 20 Feb. 1680; G^7 458 no. 240, 1 Mar. 1681.

[163] More detailed discussion in Bonney (1998), 662–3.

and the creation of departments, was to remove this excessive reliance on the central or 'core' areas. Yet the long-term geographical redistribution of direct taxation was less marked than one might have expected—as is revealed by the departmental repartition of 1814.[164]

In general, the population growth of the eighteenth century assisted the taxpayers of direct taxes since the burden was carried by more people than before. Even so, in a small parish of 100 hearths or less, the fiscal exemption gained by one or two important taxpayers could have a devastating effect on the real fiscal burden of the others.[165] Even if L'Averdy (controller-general, 1763–8) discovered from the great comparative investigation of European public revenues launched by the French government in 1763–5 that indirect taxes were increasingly becoming the norm, it should not be forgotten that the purpose of the enquiry was to establish foreign models for the new *cadastre* to be introduced in France for the levy of direct taxes.[166] The rapid change-over of controllers-general of finance in the eighteenth century was not conducive to such a bold reform. It may be that the idea of a national land register was abandoned in France because of the technical difficulty of the operation, which would have taken several years, and by poor standards in the surveying profession. Opposition from vested interests may also have played a part. But the fundamental reason seems to have been the cost of the operation. Étienne Munier, who worked as an engineer in the Limousin, estimated in 1779 that to survey the entire *généralité* of Limoges would have cost 2.59 million *livres* and would have employed 96 individuals for eighteen years. To survey France, he estimated that 3,072 engineers would be needed, at a cost of 82.9 million. Bertier de Sauvigny the younger, intendant of Paris (1776–89), estimated the cost nationally at more than 100 million. Could any minister be certain that sufficient new taxable wealth would be discovered by the *cadastre* to recoup such an investment?[167]

Bertin (controller-general, 1759–63) had a vision for reform of direct taxation in the kingdom as a whole and was much less concerned with the relative equity of one parish's fiscal burden as against another's.[168] The resulting lack of continuity meant that where the *cadastre* was introduced locally, it was not as a result of the government, but on the initiative of a reforming provincial intendant. This was

[164] Bruguière (1969), 258. Though Schnerb's maps 2 and 6, which permit a comparison between 'les impositions directes par habitant' (mean = 9 *livres* 2 *sous*) and 'la contribution foncière par habitant' in 1791 (mean = 8 *livres* 6 *sous*) provide greater cause for optimism about the changes (e.g., some upward adjustment in eastern Brittany, despite the opposition it encountered there). In general, however, Schnerb concluded that the former *pays d'états* did quite well out of the *péréquation*: ibid. 91.

[165] Lemarchand (1989), 156. On population growth reducing the real fiscal burden: ibid. 155–6, 303–5. On differences in average per capita direct taxation: Jones (1985), 157.

[166] Bonney (1995*b*), ch. 15; Alimento (1993, 1995).

[167] Konvitz (1987), 42–3.

[168] Ibid. 142–5, 157.

the case in Alsace and in the *généralité* of Paris (where uniquely from 1744 to the French Revolution, the two Bertier de Sauvigny intendants, father and son, provided forty-five years of continuity in the reform of direct taxation).[169] By definition such endeavour could do nothing to rectify injustices in the repartition of taxes between regions. The continuation of existing regional inequities ('inequities at a distance') was politically acceptable because these were less obvious than inequities at the parish level ('inequities at proximity'). The failure to introduce a *cadastre* was an important setback to attempts at political reform and at the creation of an efficient revenue raising system in the eighteenth century. Yet it seems undeniable that a further reason why the reform was not enacted until 1791 and not introduced until Napoleon[170] was the opposition of two of the most important reforming ministers of the eighteenth century after Law—Turgot and Necker. Turgot (controller-general 1774–6) had served as a reforming intendant in the Limousin for thirteen years (1761–74) in the same province without bringing the project of the *taille tarifée* to its natural conclusion in a full cadastral survey.[171]

Turgot opposed Bertin's scheme for a national *cadastre* in 1763 on the grounds that accurate evaluation of the costs of cultivation was an impossibility (and this was necessary for any new tax to be a tax on net profits), while agricultural improvement in the *pays de grande culture* would not be as rapid as expected by other writers such as Mirabeau in his *Théorie de l'impôt* (1760). Turgot adopted a similar position to that of Quesnay, who believed that the *cadastre* had to follow upon, and not precede, agricultural prosperity or the crown would be the loser.[172] As finance minister, far from introducing the reform at a national level, he did nothing on the reform of direct taxes except leave his successor, Necker, a statement of the need for a *subvention territoriale* which would require a national land survey. This was a precursor of Calonne's later plan: 'taxes must be (re)partitioned among the contributors in proportion to their revenue.'[173] Yet Necker, for all his reforming vision, was no friend of uniformity at the expense of provincial autonomy, nor did he believe that a *cadastre* could work in a complex kingdom such as France.[174] Like Turgot, he seems to have been motivated by the principle that 'the revenues of the king must follow, at least in some

[169] Touzery (1994, 1995).

[170] Konvitz (1987), 47; Kain and Baigent (1992), 225–33; Touzery (1994), 265.

[171] Konvitz (1987), 41 (Turgot was intendant at Limoges in 1761–74, not 1761–4 as stated by Konvitz); Kain and Baigent (1992), 219. The most important account is now that of Touzery (1994), 85, 87.

[172] Meek (1962), 185; *François Quesnay* (1958), ii, 613; Groenewegen (1977), 105, 108. Groenewegen (ibid. xxii) calls this unfinished paper of 1763 'the clearest account of Turgot's taxation theory'.

[173] Gross (1993), 88 n. 23, 97; Weulersse (1950), 151; cf. Faure (1961), 525; Houques-Fourcade (1889), 122.

[174] Necker (1791), 159–60.

degree (*à une certaine distance*), the growth in the value of wealth (*biens*)', a principle enshrined in the progressive updating of the *vingtième* rolls ordered in 1777.[175] In contrast to the pattern of faltering reform of the *taille*, there can be little doubt that both the *capitation* and *vingtième* were exploited more ruthlessly than ever before. Taxation did not become truly universal, but the privileged were nevertheless increasingly subject to taxation: the crown had begun to erode the regime of privilege which it had sustained for centuries.[176] Yet, to be truly effective, the principle of universal taxation required the government to investigate the growth in gross domestic product, and there is some evidence of an awakening of interest in the subject in the Napoleonic period. John Law was the precursor on this matter, as in much else.[177]

The combined failure to resolve the problem of provincial privilege and to amalgamate the separate indirect and direct revenue systems into an *impôt unique*, or at least a consolidated revenue system applicable to all provinces, had one inevitable consequence: a gross discrepancy in the per capita fiscal burden between regions. This is an extremely difficult problem to discuss because of the paucity of accurate data, but there is little reason to suppose that the crown succeeded accurately in balancing the overall fiscal burden on one region as against another (there is no statistical proof that, for example, the light regime of indirect taxes in the south-west was deliberately offset by a heavy regime of direct taxes).[178] Some estimate can be made of the per capita fiscal burden in 10 northern *généralités* in 1677, but for direct taxes only. The evidence from the *généralité* of Alençon suggests that depopulation occurred in those parishes which were most heavily taxed. The fiscal burden in this area was 11.52 *livres* per hearth (*feu*) in 1677 (countryside only) or 145.6 *livres* to the square kilometre. The comparable figures at Amiens were 11.07 and 125.7 respectively; at Bourges, 12.20 and 54.17; at Caen, 12.94 and 180.8; at Châlons, 12.21 and 76.8; at Orléans, 17 and 108.5; at Paris, 18.84 and 194.2; at Rouen, 15.94 and 207.72; at Soissons, 13.33 and 130.9; and at Tours, 13.80 and 130.2.[179]

For the situation at the end of the *ancien régime* we have perforce to fall back on Necker's figures,[180] despite the fact that he was *parti pris* on one side of the argument for financial reform. These figures suggest that total revenues imposed on the provinces in the 1780s had reached 568 million *livres*; the population

[175] Hardman (1993), 59–60; Marion (1910), 310; Rioche (1904), 108.

[176] Kwass in Ormrod, Bonney and Bonney (1999).

[177] Bonney (1992*a*), 166–7; Thuillier (1983), 248–61; Perrot (1992), 454–62, 467–9.

[178] Marion (1919), 207; cf. Hocquet (1985), 351.

[179] Dupâquier (1977), 60, 103, 135, 208, 316, 366, 463, 558, 597, 675; Bonney (1992*a*), 169, repr. in Bonney (1995*b*). These figures are for the countryside only; the results are different if the figures for the towns are included. Cf. Dupâquier (1979), 220–4.

[180] ESFDB \rjb\frdo16; Nordman and Ozouf-Marignier (1989), 46.

of France was said to be 24.7 million; the per capita fiscal burden on average should therefore have been in the region of 23 *livres* per individual. But in the *généralité* of Lyon, the unfortunate taxpayer was paying 30 *livres*; in the *généralité* of Rouen he was paying almost 37 *livres*; while in the *généralité* of Paris he was paying over 64 *livres*! Some of the burden may be explained, it is true, by the proximity of the capital or other great urban conglomerations.[181] But this is only part of the story. If we leave aside the very low figure of Corsica (a mere 4 *livres* 7 *sous*), we can state with reasonable assurance that all the frontier regions or recently acquired provinces were contributing proportionately much less than the Paris Basin: on different scales, this was true of Aix (Provence), Auch and Pau, Besançon, Dijon (Burgundy), Grenoble, Lille, Metz, Nancy (Lorraine), Perpignan (Roussillon), Rennes (Brittany), Strasbourg (Alsace) and Valenciennes (Flandres). The pattern is more complicated than this, and merits further investigation, since in the *pays d'états* a great deal of revenue was disbursed locally in expenditure and thus never arrived at the Treasury. Nevertheless, at least some of the fiscal grievances voiced in the *cahiers de doléances* of 1789 for the Estates General are borne out by the evidence.

V

The motor of fiscal change in France, as for all the main European monarchies, was expenditure on war.[182] A pacific France, one which did not expand its borders and which instead traded peaceably with its neighbours, was an intellectual possibility for the likes of Louis Turquet de Mayerne, writing in the 1590s;[183] but it would have required a less assertive monarchy, perhaps one which was reliant on a central representative institution (as Mayerne had wanted), and above all it would have denied what was perhaps the historical mission for France under Louis XIV and Napoleon, the creation of a French 'super-state', an ineluctable process of territorial expansion through conquest.[184] Only under Louis XVI did it become less clear whether the French monarchy intended to participate in foreign adventures, or was henceforth content to see Britain achieve economic hegemony through its military and naval aggression and the application of Mercantilist policies. By the 1780s, the French 'state' had no long-term policy commensurate with its traditional role as a great power in Europe: Vergennes recognized that it was in no financial position to indulge in a foreign

[181] This point was made by Morineau (1980), 322 n. 93, in relation to Necker's table.

[182] Bonney in Bonney (1995*a*), 13; Körner in Bonney (1995*a*), 418–22.

[183] Mousnier (1970), 62, 64–5, 69–71. Turquet de Mayerne wrote his treatise in 1591 although it was not published until 1611.

[184] Greengrass in Greengrass (1991), 13–14.

adventure. The main aim of the American War, which had been to ruin British commerce, had shifted within ten years to the desire for a trade treaty—a treaty which in the event was overwhelmingly in British interests.[185]

Yet for most of the period between 1494 and 1815, the fiscal system was expenditure-driven, and financial crisis was endemic in *ancien régime* and Revolutionary France. There is a long line of continuity between the debt rescheduling operations of 1598, 1634, 1648, 1661, 1720, 1770 and 1797. Without the war indemnities and debt rescheduling demanded of defeated and occupied states by Napoleon, it is difficult to see how his budget could ever have been balanced. Under the monarchy, the king himself was relatively sheltered from direct financial decision-making except in moments of crisis such as 1636–7, 1710 or 1786–9, or when there was a short-lived political reform (such as government without a chief minister in 1621 or 1661). Few kings claimed, as did Louis XVI, to have understood finance, but such a claim may have been more dangerous than an acknowledgement of ignorance, for Louis XVI it was who 'allowed his ministers to overspend and overborrow themselves into the crisis which destroyed the monarchy, while refusing to allow anybody else overall financial control'.[186]

It was a crisis which successive Revolutionary governments were slow to acknowledge or rectify. There needed to be a new fiscal policy, which embraced the three key elements of expenditure reduction, increased revenue raising and a modernization of the structure of the public debt. Necker singularly failed to provide a coherent policy on these aspects of fiscal policy, waiting instead for one to emerge from the National Assembly. Too late, he recalled in his memoirs that there had been an overwhelming need for an emergency new tax. The undermining of any confidence in the executive during the early years of the Revolution played a fundamental part in creating a dangerous ambiguity in fiscal policy: there would be no repudiation of the debt, yet existing taxes were declared 'illegal' and a new (and therefore *ipso facto* 'legitimate') system could not be put in place overnight; moreover, the right of the nation to print fiat money was asserted as a manifestation of national sovereignty.

At the transition between the end of the *ancien régime* and the Revolution, various options presented themselves to solve the budgetary problem. Brezis and Crouzet present these as four choices: debt repudiation; the printing of money; forced loans equivalent to a partial rescheduling of the debt; and, finally, offering better terms on the debt (or a modernization of the structure of the

[185] Hardman (1993), 94, 100; Crowley (1990). For Vergennes as chief minister: Price (1995).

[186] Doyle in *THES* (26 Mar. 1993), reviewing Hardman (1993). Cf. ibid. 178: 'The King understands the problems of this Department . . .' We are not well informed about Louis XVI's training on matters of finance, but for Louis XV, cf. Antoine (1989), 119.

public debt) so as to increase its attractiveness.[187] They conclude their analysis of the *assignat* experiment with an endorsement of the modernization thesis: credible financial institutions capable of tapping foreign sources of finance were required to ease the burden of providing both for consumption and the financing of military adventures. The system of taxation and the structure of the public debt both required drastic overhaul; only successful reform in both areas could have prevented the deficit growing to unmanageable proportions and with it an overwhelming requirement to issue *assignats*. 'Had such schemes been in place before the Revolution erupted, there would probably not have been a debt problem or a Revolution.'[188]

A second interpretation which stresses the potential of technical solutions for rescuing the monarchy and, later, the Revolutionary government is advanced by Eugene White. Was there a solution to the *ancien régime*'s financial dilemma? Yes, if the correct loan policy had been pursued in 1781–5 and had the 'present value government borrowing constraint' not been violated in the sense that the current value of the debt began to exceed the expected future non-interest surplus.[189] Could the *assignat* system, based on the sale of nationalized lands, have solved the state's fiscal problems had war not intervened in 1792?[190] White concludes that there were three stages that had to be negotiated. There had to be enough church property to sell to reduce the debt (and thus debt servicing costs) so that the budget could be brought into balance. Contemporary estimates of the value of the nationalized lands (conservatively 2,000 to 2,500 million *livres*) suggest that 'the sale of the lands might not have eliminated the entire deficit, but it brought it within the reach of very modest tax increases'. The second requirement was that the land had to be marketable with a clear and secure title: this was achieved by the early summer of 1790. The third requirement was that a new tax system had to be established to replace the old one and raise sufficient revenue to close what remained of the deficit. This proved much more difficult: tax collection collapsed in 1789–90 and there was only a partial recovery in 1791. Thus, White concludes that

> the *assignat* scheme might have worked, but it was a delicate operation at best, given the chaotic state of domestic and foreign politics. If reimbursements had reduced debt as planned, the level of new taxation would have approximately covered the lower level of expenditures. Reimbursements proceeded, but when the old tax system collapsed, the new one failed to generate adequate revenue.[191]

Other historians are less convinced that technical solutions alone could resolve the problems faced by the French monarchy and its successor regimes.

[187] Brezis and Crouzet (1995), 10. [188] Ibid. 37–8. [189] White (1989).
[190] White (1995), 238–41. [191] Ibid. 240.

William Doyle comments that 'the bankruptcy of the monarchy was . . . not only financial, but political and intellectual too',[192] while John Hardman argues that 'there is room to doubt the sufficiency of a technical solution to the problems of the *ancien régime*, which were essentially moral and political, centring as they did on the nature of consent to government in general and taxation in particular'.[193] Regional and corporate privilege was undoubtedly part of the problem, since the conferring of privilege was the mechanism by which the monarchy had functioned. The contemporary economic theorist Ferdinando Galiani argued that the French monarchy was based essentially on 'the inequality of conditions, with low prices of consumables'. Complete freedom of trade, he argued, would lead to a high cost of living, a wealthier peasantry, social equality and finally republicanism.[194]

Galiani may have been wrong in parts of his analysis, but the abolition of corporate and provincial privilege on 4 August 1789 and successive days was a crucial turning-point in French fiscal history.[195] The fundamental political division of the *ancien régime*—the province—and the administrative division—the *généralité*—which had been important factors in perpetuating differences in the per capita fiscal burden, were abolished. Instead, the countryside was divided into uniformly sized (or very nearly so) departments with a parity of population size and taxable wealth.[196] This change would not perhaps have been quite so decisive had it not been followed by the revocation of the intendants in 1790. Not only was there to be a less effective executive at the centre, in order to prevent any return to 'ministerial despotism', but financial control passed from the executive to the legislative branch of government by 1790–1. The executive was to lack any mechanism of enforcement in the new departments, at least until 1797. This loss of governmental authority, together with a reduction in expenditure and a lurch away from indirect taxes, ensured that Revolutionary France would experience a massive problem of resistance to taxation in the 1790s.

Much has been made of the significance of article 13 of the Declaration of the Rights of Man and the Citizen, which affirmed the principle that taxes should be 'apportioned equally among all citizens according to their capacity to pay'.[197] Yet, apart from the concept of 'citizen', and the (albeit crucial) fact that corporate and class privilege had previously been abolished, this was no more than a restatement of the *ancien régime* principle of equity in tax assessments. And it proved much harder to achieve in practice than to proclaim in principle. It

[192] Doyle (1989), 85. [193] Hardman (1993), 60–1. [194] Hutchison (1988), 268.

[195] Hincker (1989), 98–9.

[196] Forsyth (1987), 158–9; Fitzsimmons (1990), 32–4; Konvitz (1987), 43–7; Ozouf-Marignier (1989), 31–78. Above all, for the fiscal consequences: Schnerb (1936).

[197] Doyle (1989), 119; Bonney (1992*a*), 176.

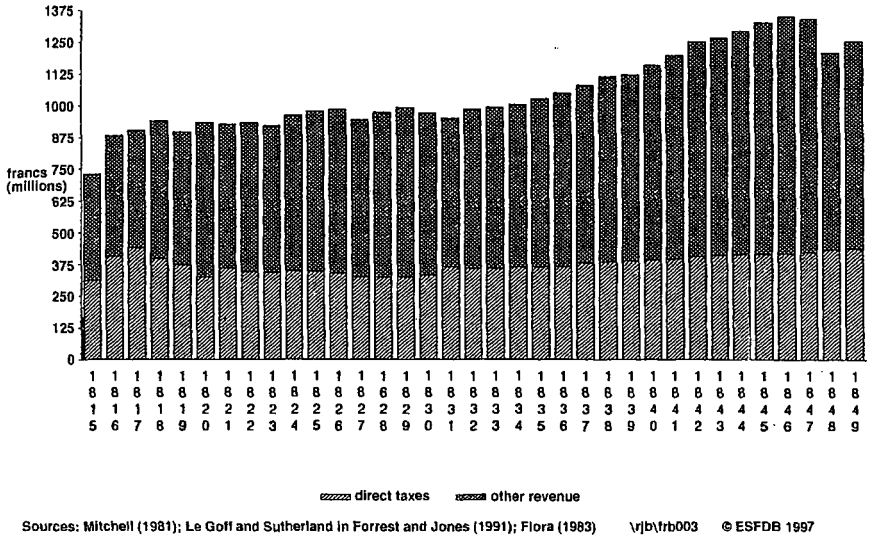

FIG. 4.11 French government total revenue and revenues from direct taxation, 1815–49

cannot be said to have been achieved fully until the *cadastre* was in place throughout France, that is, after the 1830s.[198]

The other great Revolutionary change was the principle of consent to taxation. Louis XVI conceded this in effect in 1789 (in the reactionary 'declaration of the king's intentions' of 23 June 1789), and it was enshrined in the ill-fated 1791 Constitution.[199] Even the Counter-Revolution accepted the idea, once Louis XVIII promulgated the Verona Declaration in June 1795, although he did not commit himself to a precise periodicity for the meetings of the Estates General.[200] Napoleon broke with this principle, and this breach of his coronation oath was a crucial aspect of his indictment by the Senate.[201] It was not for the purpose of granting taxes that Napoleon summoned Parliament regularly. From 1804, after the reintroduction of indirect taxes, he needed no new source of revenue, and it was only for new taxes, it was argued, that Parliament's sanction was required.[202] From this time onwards, indirect taxes gradually assumed an increasing proportion of total tax revenue (Figures 4.10 and 4.11):[203] direct taxes

[198] Bonney in Bonney (1995*a*), 483–4.
[199] Théret (1991), 144.
[200] Doyle (1989), 296.
[201] Théret (1991), 153, n. 39; Collins (1989), 147.
[202] Collins (1989), 15, 111–12, 126–7.
[203] ESFDB \rjb\frg007 based on \frm003; \rjb\frb003 based on \frm002.

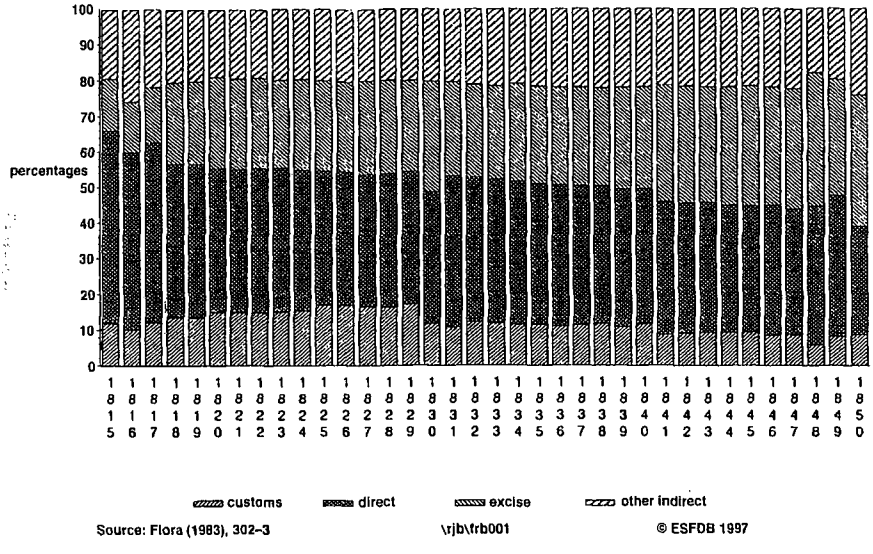

FIG. 4.12 Categories of French government revenues from taxation, 1815–50

fell to below 50 per cent of total tax revenue between 1818 and 1943. France has relied on indirect taxes since the Bourbon Restoration (Figure 4.12).[204]

At the Restoration, Louis XVIII kept his word in the Verona Declaration: article 48 of the Charter of 1814 pronounced that 'no tax can be established or collected unless it has been voted by the two chambers and sanctioned by the king'.[205] In effect, the weaker executive and stronger legislature demanded by the reformers of 1789–91 had thus come into effect, despite the vicissitudes of the Constitution of 1791. In reality, the combined effects of a command economy, rapid inflation and the depreciation of the *assignat* so imperilled the Revolutionary changes that a reaction to fiscal conservatism after 1797 was inevitable. Despite Napoleon's hatred of borrowing and his loathing of financiers, the changes to the system for collecting direct taxes and the restoration of indirect taxes under his rule meant that his tax system was no more than a modified version of the financial structure of the *ancien régime*. Only gradually was the endemic undertaxation of the *ancien régime* rectified, however, though Bordo and White estimate Napoleonic taxation as a rising proportion of commodity

[204] ESFDB \rjb\frboo1 based on \frdoo6; Flora (1983), 302–3. Britain, in contrast, continued to rely on indirect taxes until the First World War, but has relied on direct taxes since, at least until recent times. Direct taxes assumed greater importance in Prussia than the other two European countries in the 19th cent.—they accounted for over 70 per cent of all tax revenue in 1868 and 1871.

[205] Théret (1991), 144. Though his sincerity is open to question, Napoleon went further in article 35 of the *Acte Additionnel* during the Hundred Days: Collins (1989), 163.

output, and at higher levels than the almost static tax receipts of the eighteenth century when expressed in real terms.[206] However, such increased demands on the gross domestic product were not sustained: the first budget of the Restoration was projected on almost the same scale as the last of the *ancien régime*.[207]

Fiscal power had made the Bourbon monarchy great in Europe; and it was a decline in fiscal power which helped bring it down. But were the reformers correct in their surmise, that a greater degree of financial accountability would mean a less aggressive foreign policy and a slow-down in the pace of expansion of the fiscal state? The experience of the nineteenth century suggests not. Even after 1815, Parliament failed to stop a massive rise in expenditure of 444 per cent between 1815 and 1913, with the most rapid increase between 1815 and 1883. The wars of the nineteenth century were mostly of short duration, yet the costs of 'armed peace', the growth of the state and the development of its role in the economy further consolidated the nascent fiscal state bequeathed by Napoleon.[208]

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[206] Bordo and White (1991), 308, fig. 5; Bordo and White in Bordo and Capie (1994), 249, fig. 8.7.

[207] Crouzet (1993), 127.

[208] Bouvier (1969), 299–302; Bonney in Bonney (1995*a*), 357, fig. 43; ESFDB \rjb\frd002.

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CHAPTER 5

Castile in the Middle Ages

Miguel Angel Ladero Quesada

The aim of this chapter is to consider the evolution of the royal fiscal system in the lands of the Castilian monarchy in the period stretching from Alfonso X in the mid-thirteenth century to the 'Catholic Monarchs', Ferdinand and Isabella.[1] The era may be considered as having witnessed the genesis and organization of a new political system in Castile. During these centuries, the foundations of royal power were laid, and its doctrinal and institutional features were developed. The growth of the state was a process unfolding over several centuries. A set of political relationships developed which favoured both the development of absolute monarchy and the consolidation of the social dominance and participation of the great landowning aristocracy and the petty urban nobility in the political process: both groups underwent renewal and development during the later Middle Ages.[2]

I

It was between 1265 and 1275 that Alfonso X laid the foundations of a new fiscal system. He introduced the *servicios*, extraordinary taxes which were voted by the *Cortes*; he taxed the owners of migrant flocks of sheep; he organized the customs system; he increased the direct taxes payable by the kingdom's Jewish population; and with Papal consent, he regularly took a share of ecclesiastical revenues, in the form of two-ninths of the tithe (the *tercias reales*), and clerical subsidies. His achievements met with resistance from the kingdom not only when the *Cortes* assembled, but also in the form of an anarchic nobility during the years

[1] The author thanks Professor J. A. Bergin (Manchester) for undertaking the translation of this chapter. It summarizes in English the author's previous research, particularly that published in Ladero Quesada (1970, 1973*a*, 1976, 1982*a*, 1987*a*, 1988*a*, 1993*a*).

[2] Ladero Quesada (1989*f*).

1282–1325, caused partly by the new methods of revenue raising and the distribution of the proceeds of taxation. However, Alfonso X's measures survived and, in a second stage beginning in 1338, Alfonso XI managed to complete them by reorganizing the salt revenues and the tax on sheep, as well as through a general indirect tax on transactions and consumption, the *alcabala*. Initially, the *alcabala* was an extraordinary tax which had to be voted by the *Cortes*, but it became a regular levy and the key element of the royal fiscal system after 1342.

During a third period between 1369 and 1406, no new taxes were added to the existing list. But the institutions created for the management of the crown's finances, such as the main accounting bodies (*Contadurías Mayores*), and the methods used for the farming of revenues, which were hitherto either incomplete or non-existent, now reached maturity. The redistribution of crown revenues to the nobility became a more regular feature, while the number of lordships they were granted also rose steadily. Fiscal pressure grew rapidly as a result of war and the foreign commitments of Henry II and John I. Shortly before 1400, the *alcabala* became a source of 'ordinary' revenue, which represented an increase in the crown's independence of the *Cortes*.[3]

This picture of the rise and consolidation of the state's power to levy taxes was compromised during the period between 1407 and 1474, when many of the earlier gains were eroded by the upper nobility's appropriation of a growing proportion of the crown's revenues. It was nevertheless an age in which Castilian financial legislation reached its apogee; subsequently, this legislation was scarcely modified. Moreover, there was a decline in fiscal pressure because Castile experienced sharp demographic and economic growth and, perhaps, something of a fall in prices. Finally, during the reign of the 'Catholic Monarchs', Ferdinand and Isabella (1475–1504), the royal financial system was restored and reformed. Large numbers of alienated royal revenues were recovered and collection methods were improved, while extraordinary taxes were increased and their sources expanded. Yet, despite a doubling of the population during the fifteenth century, the overall extent of the royal revenues in Castile was no greater in 1504 than in 1400.

It is important to underline the links between certain features of late medieval economic policy and the reform of the financial system. Increased commercial activity and the expansion of the money supply affected all spheres of economic life. From the mid-fourteenth century onwards, indirect taxes provided 90 per cent of the monarchy's revenues, while direct taxes, though still important, remained contingent and extraordinary in character.[4] For this reason, it is worth

[3] On Alfonso X's politics: O'Callaghan (1993); Ladero Quesada (1985). For the *alcabala* in 1400: Ladero Quesada (1986*a*).

[4] Ladero Quesada (1982*b*, 1988*c*, 1991).

examining how the monarchs, through the exercise of their regalian powers, protected and stimulated the circulation of goods and trade, both inside the kingdom and in relation to the outside world. When organizing the customs, Alfonso X also published laws regulating the forms of foreign trade and the *cosas vedadas*—that is, precious metals, cereals, sheep flocks, horses, donkeys and mules, all of which by virtue of being staple products were subject to regulation, and thus required export permits. He also insisted on the freedom of goods, especially cereals, within Castile, and consolidated the policy of establishing fairs which had begun during the mid-twelfth century. During an initial period of economic growth between *c.*1150 and the early fourteenth century, more than fifty fairs were founded, almost all of them in areas belonging directly to the crown (*realengo*). The next phase of growth, the fifteenth century, was dominated by the creation of rural fairs mostly in seigneurial lands, odd weekly markets in towns, as well as the great fair of Medina del Campo, which also acted as the centre for the general settlement of payments between merchants. All were evidence of the spread of Castile's commercial network, and indeed of its maturity.[5]

The general outline of the monetary policy of Castile's monarchs after Alfonso X is now reasonably well known. They retained a sound Muslim-type gold coinage—the *dobla* containing 4.6 grams—but failed to preserve either a stable silver or *vellón* coinage, devaluing the latter three times between 1266 and 1277. In Castile, however, the value of the money of account—since Alfonso X, the *maravedí*—varied with that of the *vellón* currency; the official rate was usually overstated in relation to its silver content, which was always lower. Consequently, the nominal value of gold and silver coins expressed in *maravedís* greatly increased during the later Middle Ages, as did the price of goods and of revenues in *maravedís*. We therefore need to deflate the revenue figures if we are to understand their real evolution in gold and silver, and also to take account of the fact that during these two and a half centuries the ratio between gold and silver was not fixed. As far as the coinage is concerned, we should note the appearance of a new and highly stable silver coin—the *real*—during the reign of Peter I (1351–69), which joined the *dobla d'oro* as a coin with a wide circulation in Castile. The ducat did not appear until 1497 and hence it circulated very little during the fifteenth century. It was an international unit, which is why royal revenues have been calculated in each case in terms of the equivalence between *maravedís* and *doblas d'oro*, and also between the latter and ducats (in a ratio of 1:1.3). For the fifteenth century, this has been done directly between *maravedís* and ducats when their official rates in Castile are known.

[5] Ladero Quesada (1981, 1994); Dufourcq and Gautier Dalché (1976).

The most common *vellón* currency from the mid-fourteenth century was the *blanca*, officially valued at half a *maravedí*, though its silver content was less than this. Because of the devaluations of the *vellón* currency during dramatic periods of monetary instability, the inflation of prices expressed in *maravedís* was considerable, albeit extremely uneven. There was a considerable growth in the volume of specie—and thus an increase in the 'velocity of circulation'—which greatly facilitated the expansion of the commercial economy. It also helped to consolidate the authority of the crown, which authorized the minting of money, fixed exchange rates, and benefited from the devaluations more than other political groups in society. In addition, these measures reinforced the primacy of indirect taxes which, because they represented a given percentage of the taxable goods, were more responsive to changes in rates. Thanks to Muslim North Africa, the supply of gold to Castile, especially southern Castile, continued throughout the Middle Ages: while silver was always scarce, gold was cheaper and more abundant than in other parts of Europe.[6]

II

Once it had reached maturity, the typology of the royal fiscal system was complex. Clearly, some sources of revenue were much more important than others, and the broad distinctions within the system need to be identified.[7] The kings of Castile had no royal domain either in lands or immovables capable of producing revenue. The crown of Castile, and the *realengo* in particular, did constitute a 'royal patrimony', but it was one which included no claim on lands which might have generated an income from, for example, feudal dues or leases. In late medieval Castile, the crown received almost all its fiscal income on the basis of Roman law principles, which regarded its *ius eminens* as a *ius publicum*: royal taxes arose from the theory of the crown's 'eminent right', which was political in nature, and not from the property status of land.[8] The feudal or

[6] MacKay (1981, 1988); Ladero Quesada (1987*d*, 1988*b*); Todesca (1988).

[7] The traditional *pechos y derechos* were the *Martiniega, marzazga, infurción*; the *Yantar, conducho, hospedaje*; the *Fonsadera, galeras, acémilas*; and the *Botín y parias*. The *regalías* included the *minas* and *salinas y alfolíes de sal*; *moneda*; *derechos de justicia y cancillería* and *escribanías públicas*; the *bienes mostrencos y de abintestato*; and the *capitaciones de judíos y mudéjares*. Indirect taxes and levies on the circulation of goods and at the point of sale included the *portazgos*; various customs taxes, including *almojarifazgos y diezmos* and *cosas vedadas*; the *sisas* and *alcabalas*; the *servicio* on migrant sheep flocks and the *montazgo*. Direct taxes included the *pedidos y monedas foreras*; and the *servicios no forerors* consented to by the *Cortes*. Levies on ecclesiastical wealth included the *tercias reales*; the *subsidios y décimas del clero*; the *contribuciones extraordinarias del clero*; the *Bula de cruzada*; the masterships (*maestrazgos*) of the military orders; and the profits from the Inquisition. There were further extraordinary levies, including *empréstitos* and *repartos*.

[8] As Bartolus de Sassoferrato expressed it, 'Nemo possit imponere tributum nisi Imperator et Reges vel qui ab eis habuerit facultatem . . .': Bartolus (1535), fo. 128^{v}.

seigneurial revenues enjoyed by later medieval kings were ancient in origin and insignificant in monetary terms, with the exception of those relating to the redemption of military obligations (the *fonsadera*), until the mid-fourteenth century. In practice, they were replaced by the *servicios* voted by the *Cortes*. We should include among the feudal revenues the *parias* paid by the emirs of Granada as payment for the grant of truces and as a sign of their vassalage to the kings of Castile.

The notion of the kingdom as a 'royal patrimony' in the public and juridical sense was never lost, any more than were the regalian rights inherent in royal power; indeed, these became more explicit with the spread of Roman law. Among the regalian rights of a fiscal kind were the revenues from the salt-works and the monopoly on the sale of salt, which had always enjoyed considerable importance,[9] as well as the capitations or *pechos* from the Jews and Muslims (*mudéjares*) of Castile, which were regarded as part of the 'royal treasury' in accordance with a modified version of the ancient Islamic concept of the legal status of the 'People of the Book'.[10] The royal fifth on war booty, again of Islamic origin, could also be considered a regalian right.[11]

The foundations of the fiscal system which developed after the reign of Alfonso X were laid on indirect taxes. The indirect taxes were not local tolls, most of which had been alienated to towns or lordships, but customs levies,[12] and, after its general extension in 1342, the sales tax (*alcabala*).[13] A levy was also payable on migrant sheep flocks, in effect a tax on a form of movable property.[14] Among the direct taxes, old items such as the *foreras* were insignificant, while the newer ones, such as the *servicios* voted by the *Cortes* after 1269, had considerable importance. Always 'extraordinary' in their nature, their relative value declined after 1342 with the establishment of the *alcabala*.

The kings of Castile had more opportunities than those of other European countries to extract revenues from their clergy, since they could claim that their kingdom was a frontier state which confronted the threat from Islam. A number of ecclesiastical revenues thus formed part of the royal finances from the time of Alfonso X onwards: two-ninths of the clerical tithe (the *tercias reales*) made a regular contribution to the fisc and, when the Pope authorized it, so too did the levy of a tenth (*décima*) on total clerical incomes.[15] In addition there were the alms for the crusade (*cruzada*), which was preached several times during the fourteenth and fifteenth centuries, as well as the revenues of the grand

[9] Ladero Quesada (1987*b*).
[10] Ladero Quesada (1989*a*); for capitations on the Jews, *c.*1286–91: Hernández (1993).
[11] Grassotti (1964).
[12] Ladero Quesada (1973*b*).
[13] Moxó (1963, 1969).
[14] Klein (1920); García Martín (1990); Marín Barriguete (1992).
[15] Linehan (1971, 1983).

masterships of the Military Orders of Santiago, Calatrava and Alcántara: the 'Catholic Monarchs' obtained from the Papacy the right to administer the grand masterships (*maestrazgos*). During the reign of Ferdinand and Isabella, however, fines and confiscations imposed by the Inquisition almost solely financed the tribunal's own judicial and administrative machinery. During periods of war, kings had recourse to short-term loans, and they sometimes repaid them by the grant of particular sources of income, fees, or the lordship of a particular locality. However, until the end of the fifteenth century, there was no established organization for handling the public debt. From 1490 onwards, the 'Catholic Monarchs' began to sell *juros* or bonds at 10 per cent, and later at 7.12 per cent. The *juro* was to become the key instrument of the crown's long-term public debt during the sixteenth and seventeenth centuries.[16]

It is difficult to present quantitative estimates either of the crown's total income before 1369, or of individual sources of income, especially before 1429. But a careful study of the available data enables us to provide an initial figure of about 450,000–600,000 ducats for total revenues under Alfonso X after 1269, and a second figure of about 650,000–800,000 ducats for the years after 1342. Numerous variations appear from one year to the next, since everything depended on the *servicios* voted by the *Cortes*, and on the total of the *monedas*, the unit of collection, for each *servicio*. Figures are easier to obtain for the years from 1369 to 1406, since the precise value of each *servicio* is known, and reliable estimates of the ordinary receipts are available.[17] A sharp rise in fiscal pressure is evident—we may estimate total revenues in this period at an annual minimum of 850,000 ducats, with an average of 1.2–1.5 million, and a maximum of 1.7–1.8 million. This period includes the wars of Henry II and his successor John I, and the great devaluations of 1369 and 1386. The peaceful policy of Henry III provided a respite in 1391–5, and his devaluation of 1398 was readily accepted. Indeed, he was the only ruler of the dynasty to leave a sound treasury and healthy public finances at his death.

Figures become more abundant as the fifteenth century advances. There was a sharp decline in revenues between 1406 and 1474, especially after 1430. Political factors help to explain this decline, although the fall in indirect taxation, especially in the *alcabalas*, contributed to the loss of income for the crown. Taking the year 1406 as the base index of 100, revenues fell respectively to index 62.2 or index 66.6—depending on whether the index is based on gold or silver values—by 1453, and to index 25 or index 30.5 respectively by 1474. The crown tried to compensate for this loss of revenue in real terms by recourse to extraordinary

[16] Ladero Quesada (1993*c*, 1993*d*).

[17] Ormrod in Bonney (1995), 145, fig. 21. This draws upon unpubl. data of Ladero Quesada, as do the graphs cited below, nn. 18–20 [Ed.].

servicios voted by the *Cortes* (the *pedidos y monedas*), especially during the Granada wars.[18] Such periods of war also enabled the crown to levy the crusading tax and the tenth on clerical revenues. Nevertheless, the evidence suggests an almost steady fall in total revenues (ordinary and extraordinary) in the fifteenth century at least until 1474:[19] the figures decline from 1.45 million ducats per annum (1407–11) to 1.2 million (1430–40) and reach a nadir of 0.8 or 0.9 million (1444–54). A slight recovery occurred, to 1 million (1455–60), only for total annual revenues to plunge again to 0.5 or 0.4 million in the years 1472–4.

The 'Catholic Monarchs' slowly succeeded in restoring ordinary revenues to their earlier levels, which in 1504 reached approximately the same level as in 1406. At the same time, they revitalized the extraordinary revenues and added new items—such as contributions from the municipal confraternities (*Hermandad*) in years when *servicios* were not paid, the *cruzada* and clerical tenth, the Military Orders, the sale of *juros*, and extraordinary payments by the Jews and *mudéjares*. They also collected the revenues of Granada after its conquest. In all, the level of receipts in 1504 stood at between 1.4 and 1.6 million ducats, equal to the highest figures of the previous century. But the population had risen considerably, indicating a decline in fiscal pressure. Moreover, many of the revenues which should have accrued did not reach the treasury at all but, as a result of the political disintegration of the years 1404–74, went to the landed nobility instead.

The quantitative data available for the years after 1429 enable us to estimate the relative importance of each source of income. Among the ordinary revenues, the *alcabalas*, which were nearly always leased along with the *tercias reales*, produced about 80 per cent (at least nine-tenths of which derived from the *alcabalas* alone).[20] Customs duties accounted for about 12 per cent of total ordinary revenues, despite the fact that important duties were alienated after 1465—for example, the 'customs of the Castilian sea' (*diezmos de la mar de Castilla*) collected in the Cantabrian ports—and that under the 'Catholic Monarchs' no duties seem to have been levied on commercial transactions with the kingdom of Valencia. The salt-works and salt warehouses (*alfolies*) yielded about 3–3.5 per cent, and the *servicio y montazgo* about 2.5 per cent, while other duties brought in barely 2 per cent of the total of ordinary revenues. The extraordinary revenues varied considerably in importance from year to year. After 1429, they always yielded more than ordinary revenues, fluctuating at 50–60 per cent more than ordinary revenues (1429–54), 35 per cent more (1455–74) and 85 per cent more under the 'Catholic Monarchs'.

[18] Ibid. 153, fig. 27.
[19] Ibid. 154, fig. 28 (adding ordinary receipts to the *servicios* for the total).
[20] Ibid. 152, fig. 26.

Royal revenues were largely channelled towards the Castilian aristocracy, to pay for their services or military preparedness, in the form of salaries or wages (*sueldo*, *tierra*, *acostamiento*), for the guarding of royal castles (*tenencia*)—which was also paid for directly in times of peace—or else for extraordinary expenditure occasioned by warfare. Before 1369, all of the extraordinary revenues were earmarked for this purpose. Ordinary revenues, amounting to no more than a third of the total royal income, were retained for the royal household and the payment of the judicial and administrative services dependent on it. Between 1369 and 1504, the procedures for calculating revenues and expenditure improved rapidly. There was, of course, no budget in the modern sense of the term, but there were calculations or *apuntamientos*, which survive, for example, for the years 1429 and 1504. They include sums not actually received (*suspensiones*) and expenditure destined to indemnify revenue farmers (*prometido*). The concessions which were annually earmarked were another important item of expenditure, and they were paid automatically each year—a highly satisfactory arrangement for the beneficiaries, whether they were nobles, townsmen or ecclesiastical bodies. The proportion represented by 'assigned' expenditure (known as the *situado*) rose from 26 to 85 per cent between 1429 and 1474, but fell to an average of around 30–5 per cent under the 'Catholic Monarchs'. Having substantially reduced 'assigned' expenditure by 1480, Ferdinand and Isabella increased it again during the second half of the reign, especially as a result of the sale of *juros*.

Expenditure was carried out by means of orders for payment known as *libranza*. About 40 per cent of the total went on military costs of various kinds and 10 per cent on the royal household.[21] Other sums were disbursed for what we would call civil administration—fixed salaries (the *raciones* and *quitaciones*), payments to the bureaucracy and servants of the crown (*Consejo Real*, *Mayordomo*, *Contadores mayores*, *continuos*), and assistance to individuals or institutions (life annuities or *mantenimientos*, financial assistance or *ayudas de costa* and alms). Finally, there was a category of expenditure for public works and the upkeep of royal palaces and fortresses in different towns. War and the costs of diplomacy had of necessity to be paid for out of extraordinary revenues. In the years 1406 and 1429, it was estimated that to field an army in the peninsula for six months with naval support—comprising in total 10,000 lances, 4,000 light horse, 40,000–50,000 infantry, 20–30 galleys, 35–50 ships and carracks, as well as artillery and auxiliary personnel—would cost 100 million *maravedís* (1.3 million ducats). This certainly represented the maximum military capability which the Castilian monarchs could deploy in the wars against Granada.[22] The accounts of

[21] Ladero Quesada (1989*e*). [22] *Crónica de Enrique III*; Ladero Quesada (1993*b*).

the treasurer of extraordinary revenues from 1495 to 1504, Alonso de Morales, reveal a total of 1,730 million *maravedís* (4.6 million ducats), of which 61 per cent went on the costs of war, 13.8 per cent on diplomacy and the marriage of the Infantas, 13 per cent on repaying loans contracted for military operations, and 6.5 per cent on unspecified uses (in fact, for the foreign policy of the 'Catholic Monarchs').[23]

III

The difficulties that the Castilian monarchs encountered in establishing a new fiscal system is evident not merely in the prolonged period of gestation, and complex organization, of the machinery of taxation just described, but also in the slow evolution of institutional management and regulations. The complexity is apparent in the geography of taxation, which differed from one source of revenue to the next, and even from one subdivision or 'branch' of the same source of revenue to another. Ecclesiastical, municipal or seigneurial units which had been established in earlier periods for other purposes were utilized by the crown. In each case, the management of revenues was determined by regulations contained in the relevant laws or *cuadernos*, which were reinforced by the *condiciones* laid down for each period of collection. The earliest *cuadernos* date from the final years of Alfonso XI's reign, and had a considerable casuistic content which is still present in the most complete and final *cuadernos*, dating from the last two-thirds of the fifteenth century. Indeed, these regulatory texts represent an important source of information, and their abundance and sophistication for the period between 1370 and 1460 provide evidence for the growth of the state.

Methods for the collection of revenues and fees were also varied because of the lack of an effective royal bureaucracy fitted for this and other related tasks. In fact, direct administration of taxes was rare, but collection through municipal councils allowed the urban patriciates undue influence in financial matters, undermining royal power as a result. It was also disadvantageous to the rest of the population of the *realengo*, because of the resulting abuses and fiscal inequity. Kings tried to avoid this method of tax collection, except for that part of the *servicios* voted by the *Cortes* which required a preparatory census of the inhabitants and collection on a hearth-by-hearth basis. From 1495 onwards, when the balance of political power was more favourable to the crown, the municipal authorities were instead allowed to administer *alcabala* taxes by means of the *encabezamiento*—a method of allocation in which the total sum owed to the

[23] Andrés (1992).

treasury was fixed in advance.[24] The farming of royal revenues by public auction for short periods varying from one to five years was the most profitable method of tax collection and least damaging to the crown in political terms. The profit accruing to the revenue farmers was assumed to be less than the cost of an administrative system financed by the crown. Moreover, the farmers were expected to pay what they owed at fixed intervals, which in fact made them bankers to the crown, while as private individuals their abuses were subject to punishment by the ordinary magistrates. In addition, a number of individuals were banned from the adjudication process altogether: their regional or local power was already so great that it would have been enhanced to an excessive degree had they also been awarded leases on the revenue farms.

The image of the tax farmer is often that of the outsider, upwardly mobile perhaps but reliant on strong links with powerful individuals and important social groups. In the thirteenth and fourteenth centuries, many revenue farmers in Castile were Jews; in the fifteenth century, they were often Jewish converts to Christianity. They farmed not only the royal revenues, but also those of the Church, lordships and towns, despite efforts to restrict their activities or to prevent them altogether. In *c.*1386 in Castile, the number of Jews involved in farming the royal revenues was estimated at 5,000–6,000 persons. This intensified anti-Jewish feeling which led on occasion to the outbreak of pogroms. In the fifteenth century there were fewer Jewish tax farmers—and far more *conversos* instead—while numerous 'Old' Christians were also involved in such activities.[25]

During the period under review in this chapter the Castilian kings also developed institutions for the administration of their finances, though the extent of this administrative innovation should not be exaggerated. A number of offices and functions of more ancient origin, such as those of *Mayordomo Mayor* and *Camarero*, still retained their honorific importance. The office of treasurer or *Almojarife Mayor*, often held by Jews, was suppressed around 1379 and initially replaced by territorial treasurers, and later by a variety of receivers and treasurers. More significant, however, was the creation of accounting offices and institutions and specialized comptrollers, who began to appear from the mid-fourteenth century onwards and developed fully under Henry II (1369–79). The central administration of finance came of age with the creation of two general accountants of finance (*Contadores Mayores de Hacienda*) and two other officials carrying out a similar accounting role, each with his own agents. The *Contadores Mayores de Hacienda* quickly became the crown's chief officials.

[24] Ladero Quesada (1986*b*, 1989*b*); cf. Muto in Bonney (1995), 241.

[25] Ladero Quesada (1982*a*), 143–67.

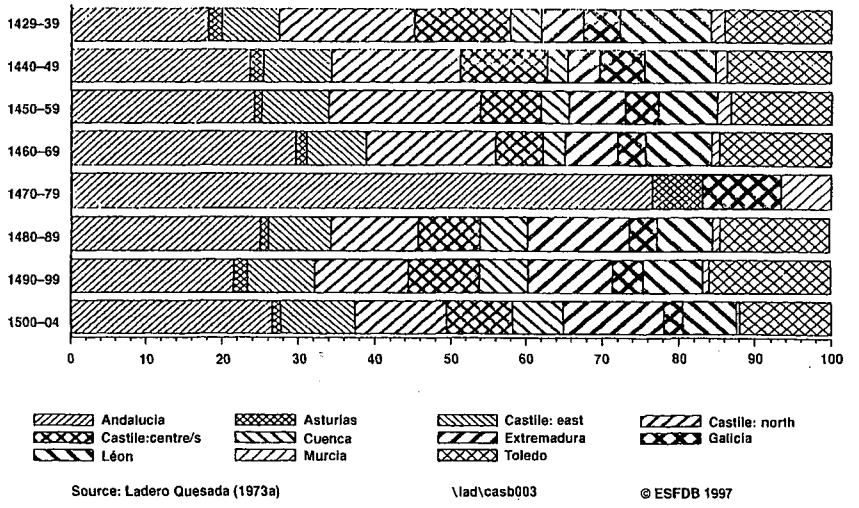

FIG. 5.1 Revenues of the kingdom of Castile by region, 1429–1504 (percentages)

Fiscal privileges and an inequitable fiscal burden between regions remained the norm in the fifteenth century. The extent to which the crown tolerated such privileges and inequities was, for the most part, a consequence less of jurisdictional differences than of the relative fiscal importance of the area or the political stakes involved. This combination of factors helps explain the exemptions from the *alcabala* granted to frontier villages in Granada.[26] Similarly, Galicia in the fifteenth century regularly, without justification, failed to pay its *servicios*; similar fiscal privileges were enjoyed by Viscaya and, to a lesser extent, Guipozcoa and the Asturias. Individuals, groups and even whole towns enjoyed various exemptions and privileges with regard to the *monedas*, which formed part of the *servicios* voted by the *Cortes*.

The fiscal importance of each region can be calculated for the period 1429 to 1504 from the *alcabala* returns. Research conducted for a previous work[27] has made it possible to establish that the economic and demographic axis of the crown of Castile was located in a wide band running from the north-east to the south-west, from Burgos in northern Castile, via Valladolid and Segovia in central and southern Castile, towards Toledo, Cordoba and Seville. It accounted for 60–5 per cent of total indirect tax revenues (Figure 5.1).[28] Two other regions

[26] Ladero Quesada (1989*c*). [27] Ladero Quesada (1982*a*), 88–113.

[28] ESFDB \lad\casb003 based on \lad\casm001. The base map for these regions is in Ladero Quesada (1975), 206. For a sustained description of these fiscal regions: ibid. 205–15.

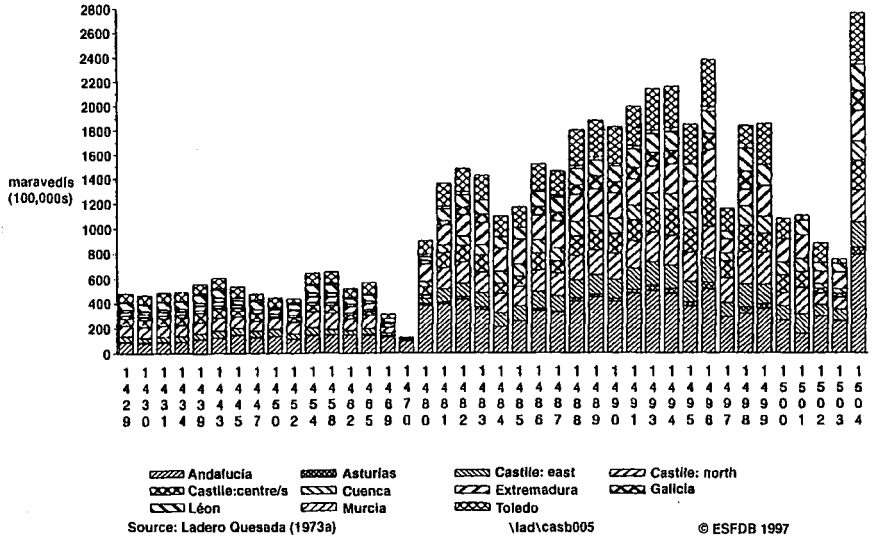

FIG. 5.2 Revenues of the kingdom of Castile by region, 1429–1504 (in *maravedís*)

enjoyed similar importance. In the east, the dioceses of Calahorra, Osma, Sigüenza, Cuenca and Carthagena accounted for 13–16 per cent of total indirect tax revenues; in the west, the Asturias, León and Extremadura accounted for 14–19 per cent of the total. Galicia formed its own region, yielding between 4.3 and 5.2 per cent of the total. The shift in fiscal importance from the north to the south is also noticeable later in the century: the greatest increase in revenues occurred in Andalucia, while there was a slight decline in northern Castile, partly because customs revenues in that area had been alienated by the crown (Figure 5.2).[29]

IV

We now need to examine the peculiarities and different attitudes of those social groups which comprised Castilian 'political society', and which alone were capable of engaging in dialogue (or confrontation) with the crown on behalf of the 'kingdom'. The debate was essentially over the limits and exercise of royal power, while the nobility's political objective seems to have been one of sharing in and tempering royal power itself. Politically, the nobility did not act as an estate, but rather through factions and parties (*bandos*), with the result that there

[29] ESFDB \lad\casb005 based on \lad\casm001.

were significant tensions between nobles and groups of nobles. It is sometimes difficult to discern any general political trend in the complex and chaotic factional struggles. But in the long term, there was an ideological strengthening of the crown and its institutions; in any case, the crown favoured the general political interest as against factional self-interest.[30]

Three phases can be discerned in the fiscal aspects of these developments. Between 1268 and 1369, the main problem was the chronic inadequacy of royal resources, and the absence of any stability in the mechanisms (*tierras, sueldos, mercedes, ayudas de costa* and *mantenimientos*)[31] through which royal revenues were redistributed. Struggles for power were also struggles for a share of the king's revenues: this goes some way to explain the 'favours' (*privanzas*) enjoyed by some nobles and the revolts of others; the struggles between the regents during the minorities of Ferdinand IV and Alfonso XI; the abuses, thefts and depredations (*malfetrías*) perpetrated by the powerful; and also the attempts of the crown to recover the initiative such as in the reorganization undertaken by Alfonso XI from the 1330s onwards.

Between 1369 and 1480, after the triumph of the Trastámara dynasty, the division of royal revenues was organized far more systematically. This is evidenced in the ordinance for the payment of wages and salaries of 1390; the appearance of the first registers of assigned expenditures (*situado*) under Henry III; the regularization of annual payments (*libranza*), and so on. After each round of faction fighting (for example, in 1430 and 1445), the size of the redistributions between the victorious factions and the confiscations of the lands of the defeated rebels also grew. Similarly, royal fiscal resources were increasingly pillaged under John II and Henry IV. The crown had to shoulder the costs of bargains struck between the nobles, as well as compensations and new 'graces' to them, and these expenses brought it to the verge of collapse between 1465 and 1474.[32] More and more lands came under seigneurial jurisdiction during the fifteenth century, resulting in a substantial reduction in royal tax receipts. In the end, however, the upper nobility realized that its objective of social and political domination could only be achieved under the protection of the crown within a strong royal state and one, moreover, that was freed from the tensions to which it had been subjected by noble factions. This belief underpinned and facilitated the huge task of restoring and reforming the machinery of government undertaken by the 'Catholic Monarchs' which, as has been seen, had significant fiscal implications.

There were various mechanisms by which the nobility turned the royal fiscal

[30] Suárez Fernandez (1975); Ladero Quesada (1987*c*).

[31] Hernández (1993) for detailed accounts from 1290–2.

[32] Ladero Quesada (1982*a*), 114–42; Del Val (1975).

system to their advantage. They could benefit from royal revenues legally through the receipt of 'graces' (*mercedes*), *tierras* or wages, salaries and other properly regulated methods of payment. Delays in payment and political instability sometimes drove nobles to pay themselves directly out of royal revenues close at hand or, quite simply, to engage in abuses and *malfetrías*. As the number and scale of noble lordships grew under the Trastámara dynasty, the nobility tried to appropriate taxes payable to the crown. They managed to do this in two ways—either by withholding revenues destined for the crown within their lordships, or by creating their own, seigneurial, fiscal system. In the first case, it was not uncommon for nobles either to disturb or to obstruct the adjudication of tax farms in order to frighten off bidders and obtain the leases for themselves. This could be achieved either directly or through nominees and agents; alternatively, the nobles might oblige the successful bidder to negotiate with them, but he would subsequently receive less in taxes than was agreed, and the nobles would be free to collect the difference within their lordships. The *alcabalas* and *tercias*, the *servicios* and, in some cases, the customs, were the prize of such struggles. The ultimate victory of the nobility was close at hand when Henry IV allowed the nobles to collect the royal *servicios* in their lordships: in 1455–6, about a third of the *servicio* (30 million *maravedís* out of 87 million in total) was in fact raised directly by them. The king also permitted the 'taxation' of the *alcabalas* and other royal revenues by the nobles in their lordships: the nobility were allowed to subtract salaries, 'graces' and other items to which they were entitled, and merely to remit the balance to the king's treasurers. Finally, the king alienated significant customs revenues, as in 1466 with the grant of the 'customs of the sea of Castile' to the count of Haro (a member of the Velasco family). The crown turned a blind eye when other nobles illegally pocketed toll revenues or the *servicio y montazgo* payable on the flocks of sheep passing through their lordships. Even though they sought to end such abuses, the 'Catholic Monarchs' were obliged to allow some of the great nobles to continue to receive revenues from the royal *alcabala* in their lordships.

A second aspect of the problem which needs to be considered is the adjustment of seigneurial revenues to economic change, which paralleled the nobles' search for gains at the crown's expense. Many of the lordships were purely jurisdictional in character and did not involve noble ownership of land: manorial revenues either did not exist or were insignificant. In addition, as in the *realengo*, old rights such as the *martiniega*, *yantar* and seigneurial monopolies yielded less and less revenue. Under the Trastámara dynasty, the nobility set about finding new sources of income. This sometimes led to abuses within their lordships, such as the seizure of silver plate from churches, the collection of fees and revenues that were part of the municipal fiscal system, and exactions on the

peasantry in order to favour the lord's clients, particularly in cases where marriage and inheritance were involved. For the most part, however, legal methods predominated: the purchase of rural properties within a lordship and the increase of its agricultural income; the stimulation of trade and commerce through the expansion of fairs and markets, and the policing of roads and bridges;[33] participation in trade through the sale of agricultural surpluses and the accumulation of properties or monopolies such as shops, warehouses, workshops and other buildings used for trade or manufacturing. By these means, and through their participation in the royal fiscal system within their lordships, the upper nobility of fifteenth-century Castile not only escaped the effects of the crisis of 'feudal rent', but actually increased its resources as the century progressed.

More detailed case studies enable us to illustrate this general interpretation. In the case of secular lordships contiguous with the Atlantic coast in Andalusia, over 60 per cent of the revenues came from mercantile activities. In contrast, inland lordships in the possession of the Military Orders—which were both manorial and jurisdictional in character—preserved a highly traditional form of seigneurial revenue, of which only about 5 or 10 per cent was directly related to trade. The origins of seigneurial revenues are equally significant.[34] Between 1450 and 1480, in the lordships of the Zúñiga family (the future dukes of Bejar), 70–3 per cent of receipts came from rents, royal payment orders and 'graces' assigned on crown revenues, with only 7 per cent being provided by seigneurial fiscal resources; 11–17.5 per cent of receipts came from the leasing for sheep grazing of enclosures belonging to the lords themselves. Similar patterns are to be found in Extremadura in the lordships of the La Cerda family, the counts of Medinaceli and the Medellin.[35] As a result of such economic policies, by the early sixteenth century the revenues built up by all the members of the upper nobility equalled those of the crown. In *c.*1501, the Venetian ambassador estimated royal revenue at 550,000–600,000 ducats per annum (he was probably referring to ordinary revenues and their net total once the figure for the *situado* had been deducted), and that of the upper nobility as a whole at 620,000 ducats. The distribution of this figure between the different noble houses was extremely unequal, some enjoying annual revenues of only 2,000 ducats, others as high as 40,000 ducats.

We may add to this the contemporary figures from another fiscal resource shared by the crown and the nobility, that of the Military Orders of Santiago,

[33] These measures were a consequence of the *portazgos*, *rodas*, tolls, weights and measures, and other obligations arising from them.

[34] Peinado Santaella (1982); Ladero Quesada (1983, 1992).

[35] Quintanilla Rasa (1982, 1990); Ladero Quesada (1982*a*), 168–89.

Calatrava and Alcántara. The 'Catholic Monarchs' took over the three Grand Masterships, whose combined revenues amounted to 110,000 ducats, most of which were either invested in, or spent on, commitments within each Order. The commanderies (*encomiendas*) of the Orders, totalling 180 in all, were held by members of the lower and middling nobility and yielded 125,000 ducats per annum. But dependence on the crown was greater within each Order itself: offices of commander were at best life-grants, and they were in the gift of the king as administrator of the Orders.[36]

Relations between the crown and the upper clergy were characterized by the relatively consistent support of the bishops and other leading clergy for royal financial policies, in exchange for the crown's protection and defence of their *fuero* and *libertas*. There was clearly a degree of co-operation between the Church and the developing monarchical state, but even so there was a relatively slow acceptance of royal patronage, and an unwillingness on the part of the clergy to accord substantial grants (*tercias reales*, tenths and subsidies from clerical revenues, extraordinary contributions and the crusading alms). The different policies and attitudes of the Papacy and the Castilian clergy to the monarchy need to be borne in mind. The clergy were more favourable to the crown's ecclesiastical policy, although they did have recourse to the Pope to prevent abuses, such as the collection of tenths without Papal permission.[37] The monarchy rewarded the general co-operation of the Castilian clergy by protecting certain areas which Church leaders regarded as vital for the exercise of their own power, their pastoral ministry, or the dignity of their *fuero* as a privileged estate. The crown ensured that tithes were collected, at least from the time of Alfonso X; it protected clerical fiscal exemptions; and it frequently conferred benefices on specific ecclesiastical bodies. The financial power of Church institutions was significant. The size of ecclesiastical revenues, derived from clerical tithes and the great rural and urban possessions of the different religious institutions at the end of the Middle Ages, may be gauged from the total value of the subsidy paid to the crown, which was subdivided in accordance with the revenues of each individual diocese. The total revenues of the Church in *c.*1500, which include the *tercias reales*, may be estimated at 1.4–1.7 million ducats.[38]

V

The ruling groups in the towns of the *realengo* represented the section of 'political society' endowed with the strongest sense of community, since they were

[36] Ladero Quesada (1989*d*).
[37] Nieto Soria (1988, 1994).
[38] Ladero Quesada (1982*a*), 190–212.

obliged to act as corporations, via the *Cortes* and urban defence associations (*Hermandades*). They represented 'the kingdom', since virtually all the taxpayers on whom the royal fisc made claims either came from the towns or were represented through them.[39] Clergy and nobility were exempted from direct taxation because of their privileged status—with the exception of Andalusia, where everyone paid the *pedido*, a part of the *servicios* under the Trastámara dynasty—and because of the defence needs of the realm. It is not surprising that in such circumstances the *Cortes* should have served as the most frequent platform for political dialogue and complaint.[40] The ultimate wish of the *Cortes* was to take control of all the royal revenues, as well as the collection, management and costs of those revenues if they did not form part of Castile's ancient subsidies and fees (*foreros* or *aforados*). Had this succeeded, a different fiscal system would have emerged, which would have led to a contractual type of state (*pactismo*). This did not, in fact, occur in the Middle Ages. Trends in this direction, as in 1282, 1295–1303, 1313–25 and finally in 1386–91, were subsequently reversed.

The request of the *Cortes* which was commonly granted was that the crown should not impose the *pedidos y monedas*—and until 1399 the *alcabalas*—without its prior consent. Even so, there was an observable tendency for some of these contributions to become 'ordinary' in character, and thus not to require consent on each occasion they were levied. This had happened with regard to the customs in the reign of Alfonso X, despite the king's promise to the contrary. It happened again in the case of the *alcabalas* in the late fourteenth century. In November 1504, Isabella asked whether the *alcabalas* which 'my predecessors and I myself have levied are such that they can become permanent and be raised with a clear conscience?' She ordered an inquiry with a view to

> ascertaining the origin of these *alcabalas*; the time, circumstances, means, and reasons why they were levied; whether the levy was temporary or permanent; whether there was freely given consent by the subjects to their being imposed, raised, and made permanent as a just and ordinary tax, or as merely a temporary one; or whether the grant had been extended beyond its original definition?

Unfortunately for the queen on her death-bed, contemporaries were unable to provide a clear answer, even though there had been a significant effort in 1503–4 to reorganize the royal archives.

More important than the tendency for extraordinary taxes to become ordinary ones was the compliance with which the *Cortes* usually voted the king what was requested, despite some formalistic and rather limited attempts at

[39] *Concejos y ciudades* (1990); Iradiel Murugarren (1991); MacKay (1989); Ladero Quesada (1986*b*, 1989*b*).

[40] O'Callaghan (1989); *Cortes de Castilla y León* (1988); Carretero Zamora (1988).

resistance. Of course, those who voted the taxes were not themselves taxpayers: the *procuradores* or deputies were less and less representative of the inhabitants, *el común*. Despite their persistence, the *Cortes* could not even ensure that the *servicios* which they voted would be spent for the purpose intended by the deputies. This lack of control shows the extent of the crown's independence of action, despite the efforts made by the *Cortes* since at least the reign of Ferdinand IV (1295–1312) to curb it. At certain moments during Henry IV's reign (1454–74), it was even possible to envisage a permanent *Diputación del Reino*,[41] a distant precedent for what was to take place at the end of the sixteenth century.[42] The relative impotence of the *Cortes* was not an obstacle to its fulfilling an important—if rather repetitive and formal—task, that of denouncing deficiencies and abuses in the fiscal system. This role originated in the duty to counsel and inform the king, who was not in any way obliged to adopt the solutions proposed by the *procuradores* of the *Cortes*.

Another matter which preoccupied the *procuradores*, especially under the Trastámara dynasty, was the control of extraordinary revenues. Since these were direct taxes, the municipal governments (*concejos*) had to facilitate the work of the assessors and collectors: this offered the possibility of replacing the farming of the *servicio* by direct management, which would enable the entire sum allocated actually to be remitted to the crown. Direct management had two advantages. The economic advantage was that the municipalities would either tax the inhabitants less heavily or would retain the percentage which otherwise would have represented the tax farmers' profit. The political consequence—whether it was an advantage or not seems doubtful (the crown perhaps regarded it as a disadvantage)—was that the crown involved the municipalities in the supervision of collection methods: this might have been the first stage towards the municipalities intervening in other aspects of financial administration. The crown chose not to involve the municipalities in this way, with the result that there was periodic resistance to the payment of the *servicios*. In Galicia and, to a lesser extent, in Murcia, this resistance became frequent.

In Murcia, we know that only the *monedas* of the *servicios* were farmed out under the Trastámara dynasty, while the town government paid the *pedidos* directly to the crown.[43] It allocated the *pedidos* directly among the inhabitants, so that the role of the municipality was more important than that of the tax farmers, since it was involved in surveying the tax-paying population for fiscal

[41] Olivera Serrano (1986).

[42] For the 16th-cent. establishment of a structure for supervising the new *servicio de millones*: below, Chapter 6.

[43] Menjot (1986).

purposes and receiving the money paid in taxes. The municipalities transferred to the tax farmers the amount required under the *monedas*; they also transferred the receipts of the *pedido* to the royal tax collectors. During these operations, each municipality could choose the type of tax to be levied in the locality—graduated taxes, for example, were less onerous for the wealthy taxpayers. It could defend exemptions, or refuse to recognize them. It could arrange for loans or advances and impose local indirect taxes (*sisas*) in the place of direct taxes (*derramas*). The freedom of manoeuvre of the local aristocracies was considerable in such circumstances, and it was not always exercised to the advantage of the inhabitants as a whole.

For these reasons, many people sought to acquire the status of persons exempted from direct taxation. As privileged groups, both the nobility and the clergy were exempt, as were the *caballeros de cuantía* in return for their obligations for military service; so too were the royal vassals who received *sueldo* or *accostamiento* from the king, along with an array of royal officials (*monteros, monederos, obreros de la atarazanas, ballesteros del rey*). In some areas, inhabitants who lived in the town castle (*alcazar*) or inside the town walls and newly arrived inhabitants enjoyed exemption for a few years as a help towards the costs incurred by their transfer to a new place of residence. At certain times, there were groups of *excusados*, persons who were excused from paying the *servicios*, in places where it was hoped to encourage inhabitants to settle or resettle. Those living in the castles along the Granada frontier were exempt from taxation. Royal or municipal 'franchises' were limited in scope and subject to revision or stringent investigation by local authorities.[44]

A study of the municipal fiscal system itself offers a perspective on the inequality in the distribution of political power between the crown and the Castilian towns of the *realengo*. Urban finances always showed a deficit in their 'ordinary' revenues, bearing in mind that the levying of additional extraordinary resources always required royal authorization. Since each case has its own peculiar features, it is difficult to reach general conclusions about the state of urban finances, except that revenues were usually insufficient.[45] At the end of the fifteenth century, Seville, with over 40,000 people in the city and at least as many in its territory, possessed only 2.2–3.3 million *maravedís* of annual ordinary revenue, or 5.3–7 million (that is, say, 14,000–18,600 ducats) if extraordinary revenues are added. Cordoba had an annual revenue of 1,800–3,000 ducats, the same as Jaén, while Jerez had no more than 2,000 ducats in annual revenues in 1518; Murcia had no more than 3,000 ducats in 1407 (including extraordinary

[44] For Seville: Collantes de Terán (1977).

[45] Collantes de Terán (1990).

revenues).[46] More studies of municipal finance are needed for further clarification of the situation.

In the last analysis, the 'kingdom' never managed, through the agency of its representatives assembled in the *Cortes*, to ascertain the total figures for royal revenue. Nor did it succeed in controlling the management of these revenues, or in supervising the officials and institutions handling them. Similarly, it failed to control royal expenditure and the accounting of royal expenditure. As a result, the crown, even if on occasion it was forced to yield ground or to reach political bargains with the nobility, fully preserved its legal and political autonomy in the realm of finance. The crown was, of course, dependent on underlying social and economic developments, but the newly established fiscal system was the basis for the creation of an absolute monarchy in Castile—and Castile was to be the core of the Hispanic union from the reign of the 'Catholic Monarchs' onwards.

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[46] Piqueras García (1988); Veas Arteseros (1991); Ladero Quesada (1989*a*), 313–46.

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CHAPTER 6

Castile, 1504–1808

Juan Gelabert

When Queen Isabella died in November 1504, the heirs to the Castilian crown—her daughter Juana and son-in-law Philip the Fair of Burgundy—could feel content with the finances of the state they were about to inherit. The reign of the Catholic Monarchs, Ferdinand and Isabella, had witnessed both an expansion of the fiscal system in terms of the geographical area it encompassed and a clarification of its relationship to the existing power structure (Chapter 5). As a result, very few structural modifications took place in the following centuries.[1] With the death of Philip of Habsburg in September 1506, a stormy period of regencies followed, and these difficulties were only exacerbated with the second Habsburg succession, that of Carlos I (better known in European history by his Imperial title, Charles V), in January 1516. Although he asserted his right to rule on his own, his mother was still alive. The shout which could be heard in the cathedral at Brussels ('Long live their Catholic Majesties, Queen Juana and King Charles!') left no doubt as to the political limits under which Charles had to operate during the first years of his reign. His hands were tied, or so it seemed, since a queen with proprietary rights (*proprietaria*) of her own was still alive.[2]

I

Thus, at the very beginning of his reign in 1516, there were serious constitutional doubts in Castile about the extent of Charles's powers. These reservations grew once his attitude towards the royal patrimony was better known. Even before he arrived in his new kingdom the following year, the king and his Flemish circle of

[1] Ladero Quesada (1973).

[2] Brandi (1980), 60. In fact, Juana lived on until 1555, although Charles rejected any joint rule in March 1516.

advisers showed a rather suspicious interest in financial matters and the resources of the kingdom. Within a few months, he had made his first demands for money to the Regent, Cardinal Cisneros.[3] In addition to measures taken by the Regent which were openly criticized, there was an absentee king, who seemed to be interested only in exploiting his new kingdom for financial gain. Moreover, without being proclaimed king by the *Cortes*, Charles acted on his sole authority, as if he was already *de jure* king.[4]

Charles did not arrive in Castile until October 1517. The summons of the *Cortes* necessarily constituted his first political test. His new subjects were mainly interested in demonstrating to him the limits to the king's *oficio* in so far as these related to the management of the royal finances. The kingdom's patrimony was considered to comprise not only specifically fiscal revenues but also dignities, honours, offices and appointments. Isabella had already pointed out in her last will and testament the serious risks inherent in granting offices or dignities to any foreigner who might accompany Philip of Habsburg to Castile. A so-called 'List of royal offices and rights' (*Repertorio de ofiçios y derechos reales*), dated 1518 and addressed to Charles, indeed stated that the kingdom's patrimony comprised both offices and fiscal revenues—although it carefully avoided too close a parallel between the current situation and that of 1504–6.[5] Isabella's last will and testament was quoted as the guide to future political action. This implied the recovery and preservation of alienated royal revenues and a halt to further concessions, so that ordinary revenues would be sufficient to maintain the *estado real*; this in turn would avoid the need to collect subsidies from the clergy and extraordinary taxes from the common people.

These constitutional and ideological matters had to be pointed out to Charles in 1518, because the kingdom was convinced that for the first two years of his reign he had misused the royal patrimony. He had bullion exported from Castile to Flanders and Italy; he appointed non-Castilians to posts in the royal administration; expenditure on the court had greatly exceeded the level of his grandparents' reign; and so on.[6] Confronted by this state of affairs, the 'kingdom'[7] felt bound to react. Thus Charles was warned that he himself was a mere 'mercenary' in the pay and service of the kingdom. He must permanently stand 'on guard' so that it could 'sleep [*sic*] peacefully'. In exchange for such services, which were his main task, his subjects would pay him those taxes which were

[3] Hendricks (1976), 92–6.

[4] Pérez (1970), 119–25.

[5] Ladero Quesada (1973), 370–9.

[6] Brandi (1980), 85–7.

[7] This term is used by Spanish historians to convey the sense of the 'kingdom as represented in the *Cortes*' and henceforth has this meaning when in quotation marks [Ed.].

due. The epithet 'mercenary', rather than 'tutor', 'father' or 'guardian', encompassed a range of Castilian ideological preconceptions and political attitudes which were affronted by the behaviour of the Habsburg kings, father and son, in the years 1504–6 and 1516–18. The king was *administrator*, not *dominus*.[8] His primary task was to secure and enhance, and above all never to alienate or diminish, the patrimony which he held as administrator rather than by private ownership. The beneficiaries of this patrimony were the king's own subjects: if they paid the necessary sums to enable him to discharge the duties of his office as king, his 'debt' was to them and them alone.

Though offices and dignities were important, the Castilian crown lacked a royal domain of comparable extent to that of other contemporary European monarchies. Earlier Castilian kings had nevertheless succeeded in rendering permanent the fiscal rights they had secured on the coinage, on sheep transit routes for transhumance, on the customs, salt production and a proportion of the treasure production in the newly discovered American lands (Chapter 5). One other important source of revenue, the sales tax (*alcabala*), posed a particular problem as to whether or not it was included in the *regalia*. In her last will and testament, Isabella herself had seemed undecided and required the executors of her will to ascertain the legitimacy of collecting it without parliamentary consent. The consent of the kingdom gathered in the *Cortes* was invariably required for the collection of extraordinary taxes, the so-called *servicios*. Controversy over the status of the *alcabala* was of considerable significance, since it was the crown's most important source of revenue (Figure 6.1).[9] Before 1494, the tax was farmed out, which led to abuses by the collectors acting on behalf of the revenue farmers. The royal treasury had been disadvantaged by the collusion between tax farmers and royal officials. After 1494, the financial administration, strongly backed by the crown, began to accept bilateral contracts between taxpayers and government financial agencies, in which the taxpayers agreed to collect the tax themselves and deliver it directly to the royal coffers. As the heads of their fiscal districts, cities organized the collection on their territories, lords on their lands and so on, according to a fixed sum previously agreed between the head of the fiscal district and the financial administration.

This so-called 'composition' (*encabezamiento*) system, which in practice was not very different from the *abonnements* organized for some of the French towns and privileged provinces, provided the royal treasury with an almost guaranteed income from its most important source of revenue. It also avoided collusion between tax farmers and royal officials which were detrimental to the fiscal interests of the crown, and prevented cases of extortion and abuse by agents of

[8] Ullmann (1968–9), 46–7.

[9] Carande (1949–67), ii, 255; ESFDB \gel\spaboo1.

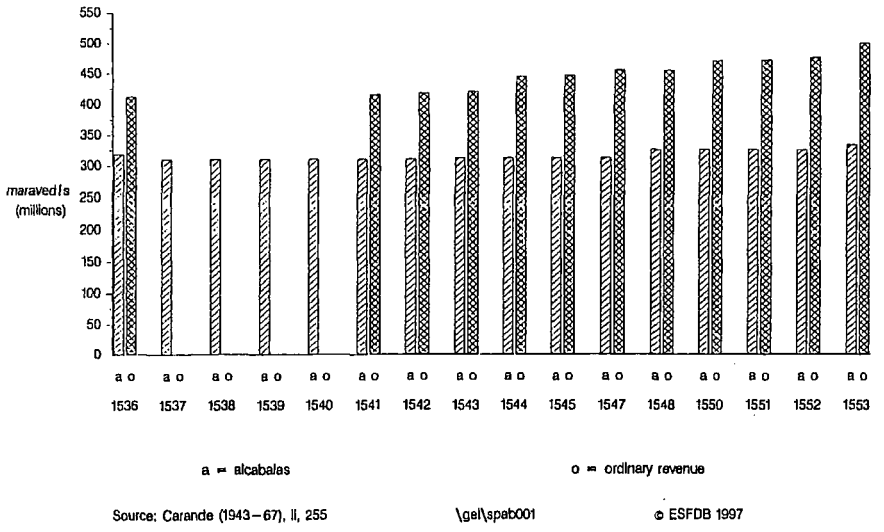


FIG. 6.1 Total ordinary revenue of the Spanish monarchy and revenue from *alcabalas*, 1536–53

the tax farmers against ordinary taxpayers. Because of the enhanced security and predictability of royal income collected by this mechanism, the crown encouraged the signature of more contracts so as to make this a generalized system. The new procedure was mentioned in Isabella's last will and testament as an act of generosity towards her subjects, while Ferdinand the Catholic accepted the system at the *Cortes* in 1512. However, it should be pointed out too that, given that the *alcabala* was a sales tax, if the contracts were of long duration in a period of economic growth, the immediate fiscal effect of the system would be a decline in the relative value of the tax yield: the economy would grow, yet the tax would remain stable. As a contemporary text argued, it was 'against reason' to allow a long-term freeze on revenues whilst the country as a whole became richer.

Despite Charles's promise at the *Cortes* of 1518 to uphold the laws of the kingdom, the pressure of rising expenditure dictated a change in policy. Soon after the death of Maximilian I, Charles was elected Emperor (28 June 1519). A few days later, a royal decree abolished the system of the *encabezamientos* and put all the kingdom's *alcabalas* up for auction among the tax farmers.[10] Coming as it did in the aftermath of growing discontent at Charles's policies, this was the last straw for many Castilian cities. The nineteenth-century historian of the war

[10] Pérez (1970), 142.

of the *Comunidades*, Manuel Danvila y Collado, wrote that 'the auctioning of the royal revenue, and the fear of the creation of new taxes was the cause of the confederation of cities and towns'. Eventually, on 10 August 1520, Charles—who was by this time abroad—was forced to accept the advice of his well-informed Regent, Cardinal Adrian of Utrecht, on two matters of critical importance: the *servicio* granted at the acrimonious meeting of the *Cortes* just before his departure from Castile was to be revoked; and there was to be a return to the *encabezamiento* system, with the sales tax fixed at its pre-1519 levels. The second concession resulted in a loss of some 45 million *maravedís* in expected income,[11] although for the Castilian taxpayers this still meant an increase of 8.75 per cent above the level of the tax payable in 1516.

There was no definitive agreement over the future of the *alcabalas* until 1525. A general *encabezamiento* for the whole kingdom in that year was fixed at the level of 300 million *maravedís* for fifteen years beginning in 1526. The figure was slightly less than the amount raised by the royal treasury in 1525, estimated to be some 315 million. Any real growth in revenue would be sacrificed in the future, for the amount raised in 1523 was 292.5 million, which suggested an annual growth rate of 3.5 per cent. However, the advantage lay, no doubt, in the guarantee of an invariable flow of revenue, together with a new sense of political stability resulting from the agreement reached between the king and the kingdom represented in the *Cortes*. The balance of the agreement as a whole may also suggest that the loss of income was more apparent than real. It was important to focus on a technical matter at the *Cortes*—the exact amount of the *encabezamiento*—and thus to keep out of the political arena any discussion of the alleged 'extraordinary' character of the tax itself. Moreover, while the *Cortes* still had to give its consent to all extraordinary taxes, the *servicios*, it did so with remarkable compliance and regularity. Thus, it may be argued, the loss of income resulting from the collection of the *alcabalas* under the former system of tax farming was compensated for by the grant of new *servicios*.[12]

There is a simple explanation for this choice by the privileged groups represented in the *Cortes*. The *servicio* was a *pechero* tax, specific to the non-privileged; for the most part it was paid by peasants. Since about 90 per cent of the population lived in the countryside, and the collection of the *servicio* hardly affected the urban settlements, the oligarchies which represented the kingdom in the *Cortes* seized the opportunity to approve increases in a tax which scarcely affected either them or their constituencies.[13] It has been calculated that in the

[11] The ducat was equivalent to 375 *maravedís*. The *escudo* was a gold coin equivalent to 350 *maravedís* (1.07 ducats) in money of account from 1534 to 1609; after 1609 the *escudo* was equivalent to 440 *maravedís* (0.85 ducats). The *real* was a silver coin worth 34 *maravedís* (11 *reales* to a ducat).

[12] Hendricks (1976), 223. [13] Carande (1943–67), ii, 235–8.

thirty-five years between the quinquennia 1515–20 and 1551–55, the *servicios* increased by a factor of 2.6 while the *alcabalas* rose only by 1.14. Adjusting the growth of these two taxes for inflation, the *servicios* increased from index 74 to index 123 (base 100 = 1526–30) whereas the *alcabalas* actually fell, from index 112 to index 82.[14] Whereas in the earlier period *servicios* represented 16.4 per cent of the total figure of the two taxes combined, by the later period they had risen to 30.8 per cent. Although the revenue from the *alcabalas* was always greater than that from the *servicios* in absolute terms, the difference became smaller as the years passed (Figure 6.2).[15] The fiscal system became progressively more unjust, since it bore down more heavily upon the rural sector, which had less capacity for expansion than the urban economy.

The total amount of Castilian revenue available to Charles grew by a mere 1 per cent in real terms in the years between 1517 and 1555. It was therefore impossible for Charles to carry out his imperial policies exclusively on the basis of Castilian resources, even if Castile's American revenues are included in the calculations: though these increased from year to year, there were always additional expenses capable of absorbing them. Thus, for example, in the quinquennium 1551–5 no less than 25.7 per cent of all the American revenues for the period 1503–60 arrived in Seville; yet within two years Philip II was forced to declare bankruptcy. There are two explanations for the capacity of Charles V to survive while yet contracting expenses at a level higher than his Castilian resources warranted. Firstly, although Castile is generally regarded as the main economic base of Charles's foreign policy, his was an empire in a financial sense as well, and there was an assumption that all its constituent parts had to make a financial contribution.[16] This was clearly the case with Flanders, for example, in the period before 1556. Secondly, the security provided for by the *encabezamiento* system, which embraced more than half the total of ordinary revenues, permitted a massive recourse to credit. The 'secret' of Charles's (relative) financial success was not to spend the ordinary revenues payable to the treasury, but to convert them into a fund from which to pay interest to his creditors. Charles obtained ready money in two ways: firstly, by *asientos*, which were short-term loan contracts signed with bankers, generally repaid at a scheduled term; and secondly by *juros*, the consolidated debt secured on Castilian revenues, which was attractive to investors, whether Castilian or foreign.

Between 1520–32 and 1552–6, short-term loans increased from just under 5.4 million ducats to 9.6 million ducats in nominal terms, but once additional costs caused by delayed repayment or accumulated interest charges are included, the

[14] Hendricks (1976), 223.
[15] Ibid. 222; ESFDB \gel\spab002.
[16] Muto in Bonney (1995), 254.

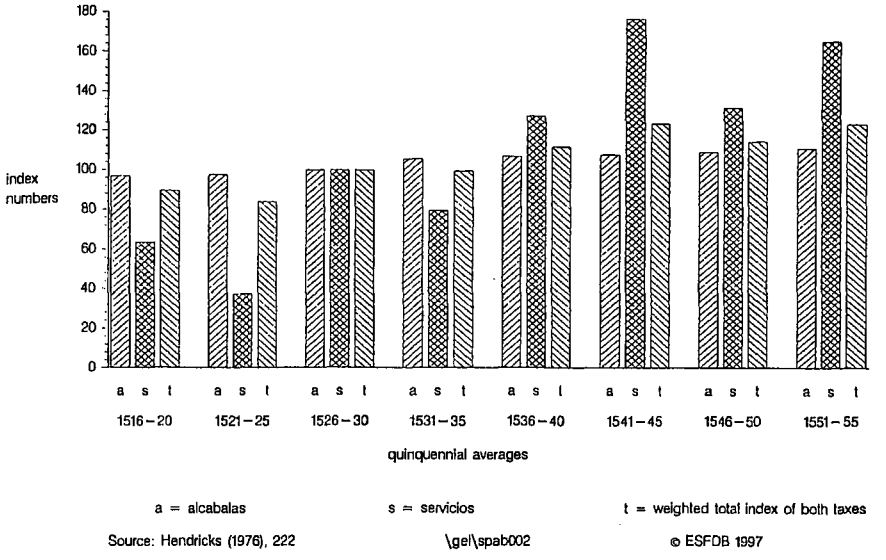
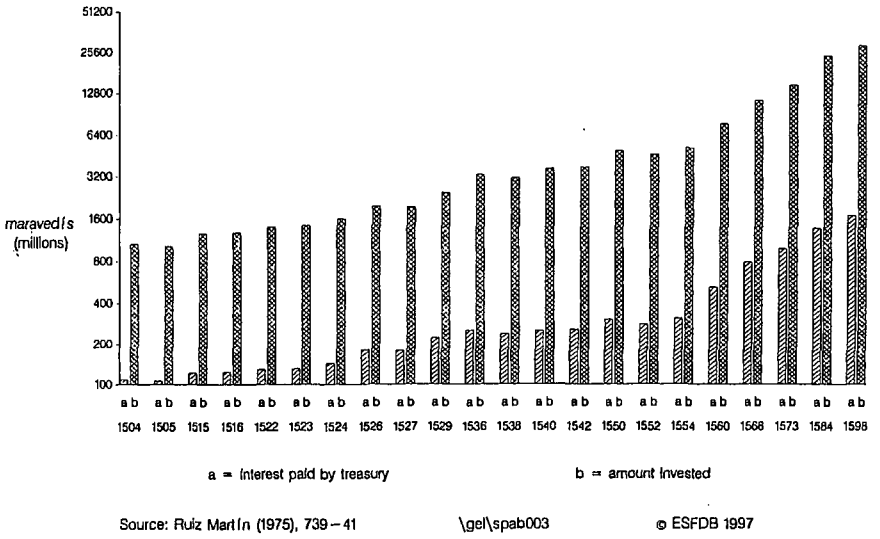


FIG. 6.2 Index numbers of direct taxes (*servicios*) and indirect taxes (*alcabalas*), 1516–55 (index 100 = 1526–30)

real cost rose from 6.3 million to 14.4 million.[17] A similar picture emerges with regard to the consolidated debt. By 1504, private investment in *juros* amounted to 2.2 million ducats, rising to nearly 3.6 million in 1516 and 14.4 million by 1554. These sums required an annual interest charge paid to purchasers respectively of just under 0.3 million ducats (112.4 million *maravedís*) in 1504, 0.35 million ducats (131.1 million *maravedís*) in 1516 and 0.88 million ducats (329.3 million *maravedís*) in 1554 (Figure 6.3).[18] Rising demand for the consolidated debt meant that interest rates were cut from 10 to 6 per cent. But the rate at which ordinary revenue grew was very slow in comparison, reaching only 412.3 million *maravedís* in 1536 and 500.5 million in 1553. In other words, an almost stagnant gross revenue was faced with heavier burdens upon it as years went by, the result being less money available for other current expenditure. Until the mid-1530s, private investors placed in the consolidated debt almost as much capital as that which arrived from Spanish America—and, unlike investors in the colonial trade, they did not expect to be kept waiting for their interest payments (Figure 6.3). In 1539, Charles tried to introduce a general excise (*sisa*) in the hope of increasing ordinary revenue, but the meeting of the *Cortes* at Toledo proved to be a fiasco, as a result

[17] Carande (1949–67), ii, *passim*.
[18] Ruiz Martín (1975), 739–41; ESFDB \gel\spab003.



G. 6.3 The evolution of the consolidated debt (*juros*) in Castile, 1504–98

of aristocratic opposition, and was a serious financial and political setback.[19] Charles's sole financial success was the introduction in 1543 of a new tax (the *almojarifazgo*) on the trade with Spanish America, which added about 6 per cent to gross income. The events of the 1550s were still more serious.[20] In an attempt to reduce the rate of interest payable on the *asientos*, the Emperor allowed the bankers in 1551 to export bullion with which they had been repaid within Castile.[21] While abroad, on five occasions he ordered the sequestration, and export from Castile, of the private remittances of gold and silver arriving at Seville (this occurred in 1553, 1555, 1556, 1557 and 1558).[22] Thomas Gresham, Mary Tudor's financial agent, reported in 1554 on 'the great scarsity that is now through all Spayne', and, foreshadowing future developments, he wrote: 'I fere I shall be the occasione they shuld play banke-route.'[23] As early as 1553, Charles proposed to his son Philip a partial suspension of payments,[24] but the definitive publication of the decree was in the event postponed until 10 June 1557.

[19] Hendricks (1976), 231–51.
[20] Muto in Bonney (1995), 254–5.
[21] Ruiz Martín (1970), 17.
[22] Lorenzo Sanz (1986), ii, 418.
[23] Burgon (1839), i, 155.
[24] Rodríguez Salgado (1988), 71.

II

Philip II's Castilian inheritance in 1556 was thus in administrative and financial chaos. Increases in the size of the consolidated debt—a direct consequence of the conversion of short-term loans into long-term debt contracts—rose faster than any increases in ordinary revenues. Interest charges on the consolidated debt jumped from 329.3 million *maravedís* in 1554 to 550.7 million by 1560. According to other estimates, the crown's ordinary revenue—which was stated to be 530 million *maravedís* in 1559—was faced with an annual payment on the *juros* of 542.7 million.[25] A second suspension of payments took place on 14 November 1560. The return of Philip II to Castile in 1559 occurred at a time of deep political malaise in the relations between the crown and the political establishment, or in contemporary parlance between the king and 'the kingdom'.

Critics complained of the excessive expenses incurred by Charles V in the pursuit of an imperial strategy not always designed to advance Iberian interests (which tended to focus on the Mediterranean, the near Atlantic and North Africa). Moreover, the *asiento* system and the consequences it carried in its wake (such as high rates of interest and bullion exports) was considered to be undermining the domestic economy. Financiers preferred to export bullion, as they were allowed to do, instead of reinvesting it in the purchase of merchandise for export—as had been the case before 1551. Home demand declined and the 'bullion famine' provoked private bankruptcies on a scale hitherto unknown. The repeal of the *asientos* was a recurrent demand during these years, as well as the revocation of the bullion export licences (*licencias de saca*). The king was expected to reside in Castile, not to meddle in foreign wars (except those against the Ottoman threat in the western Mediterranean or against piracy in the Atlantic), above all not to incur unnecessary expenditure, to avoid financial crisis, and where possible to reduce the fiscal burden. Domestic credit should suffice and foreign bankers ought to be dispensed with. At first, Philip II seemed likely to subscribe to his subjects' wishes, for as soon as peace was reached with France in 1559, and the second suspension of payments decreed the following year, no further *licencias de saca* were awarded on the ensuing loan contracts. The prospect of a durable peace after 1559 seemed to favour the intentions of both king and kingdom.

Yet the king still needed to resort to several fiscal devices in an attempt to increase ordinary revenues. In 1558, a new duty was introduced on wool exports, which included favourable treatment for the king's subjects trading with Flanders; as this distinction led to fraud, it was abolished in 1563, while the rates

[25] Toboso Sánchez (1987), 95.

of tax were raised in 1566. The substantial custom duties of the northern ports (*diezmos de la mar*) had been in the hands of the Constables of Castile since 1469, as a result of a grant of Henry IV. When the Constable died in November 1559, Philip ordered the appropriation of the *diezmos*; in 1562, the rates of tax were raised by 150 per cent. Salt works became a royal monopoly in 1564 and the *almojarifazgo* was doubled in 1566. In 1567, a new tax on ecclesiastical revenues (the *excusado*) was granted by Pope Pius V for five years;[26] but, as with other items of clerical taxation, the amount of the tax had to be negotiated every time the grant expired.

All these improvements in the crown's ordinary revenue were minor in comparison with what could be expected from an increase in the annual yield of the *encabezamiento de las alcabalas*. At the *Cortes* at Valladolid in 1555, it was agreed to extend to 1557–61 the current quota which had been due to expire in 1556. The *Cortes* held at Toledo in 1559–60 agreed to accept an increase of 37 per cent for fifteen years starting in 1562. The readiness of the kingdom to subscribe to such an increase served only to convince the king and his financial advisers that the actual burden of the *encabezamiento* was far from heavy. Detailed investigations were carried out throughout Castile in an effort to assess wealth realistically so that it might be taxed effectively. Doubts about the status of the *alcabala* as part of the *regalia* had now vanished, so that, provided that the legal rate of collection was 10 per cent of the value of any sales, there were three possible courses of action. Firstly, the current quota of the *encabezamiento* could be increased substantially. Secondly, the king might revoke this system and farm out the collection (as Charles V had done in 1520). A third possibility was to manage the administration directly by royal officials who would operate the tax at the 10 per cent rate. The royal investigation had shown that current rates of collection in fact ranged from 2 to 5 per cent, well below the legal rate. Because of political constraints, royal finances seemed unable to keep pace with Castilian economic growth. The crisis over the *encabezamiento* did not break out until 1573. In the meantime, Philip tried to reduce the burden of the long-term debt upon the ordinary revenue by amortizing a part of it, that is, by repaying private purchasers of *juros* for their investments. The plan relied for implementation on officials of the Seville House of Trade (*Casa de Contratación*), who would be supplied with a substantial portion of the American treasure together with some other items of income related to the Atlantic trade. Old *juros* were thus placed on these revenues and new ones issued became payable on this source of revenue.[27] The scheme seems to have functioned fairly well during its first years (1560–3); from then on, both the annual amounts of new *juros* issued and the *juros* which were

[26] Fernández Albaladejo (1992), 257.

[27] Ruiz Martín (1970), 20–1.

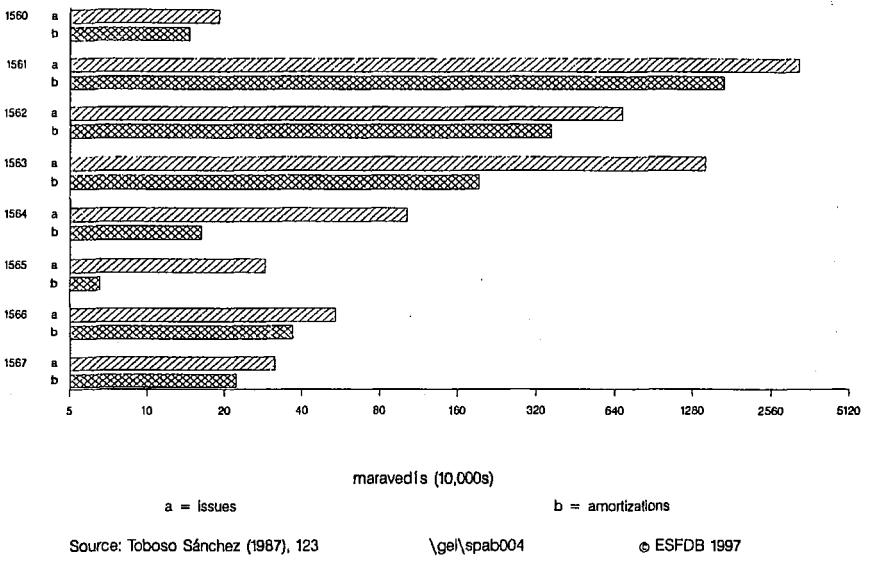


FIG. 6.4 Issues and amortizations of debt titles (*juros*) by the House of Trade in Seville, 1560–7

amortized declined year after year (Figure 6.4).[28] The private credit market had lost confidence in the plan, probably as a result of a lack of expertise in financial and commercial procedures on the part of the officials at the House of Trade. It should also be remembered that the early 1560s saw a recession in the Atlantic trade and, as a consequence, there were insufficient funds to pay the investors on time. By 1570, *juros* were still circulating on the Seville market, but their holders disposed of them at half their nominal value.

The outbreak of conflict in Flanders exacerbated the crown's financial difficulties. From 1566 onwards, the so-called 'Eighty Years' War' (from a financial point of view, the conflict lasted longer than this) necessitated expedients such as the *asientos* and the *licencias de saca*, and an increasing fiscal burden. Between 1571 and 1575, the money received by the Paymaster-General of Flanders amounted to some 9 million ducats; over the same period, treasure imported from Spanish America available to the crown scarcely reached 4 million.[29] The difference provides some idea of the fiscal effort of the Castilian taxpayer[30]—Castilian, not Spanish, because the contributions of the Aragonese kingdoms in these years represented a mere 10 per cent of total income.[31] The *Cortes* of 1573 listened to a dramatic report on the state of the royal finances arising from the reliance on

[28] Toboso Sánchez (1987), 123; ESFDB \gel\spab004. [29] Parker (1979), 187.
[30] Muto in Bonney (1995), 249, and fig. 31. [31] Hernández Esteve [1991], 35.

short-term loans as the only means to finance the military effort in Flanders and naval involvement in the Mediterranean (Lepanto had been won in 1571). Much time was wasted in argument about which 'measures' (*medios*) ought to be taken but, in September 1574, Philip II let the kingdom know that nothing could be more suitable, less damaging, or more just than to make use of his own revenue (*hacienda*).[32] According to the government's investigation, had the kingdom in earlier years paid a higher *encabezamiento*, the royal finances would not have reached their sorry state. The time had arrived to pay off the 'debt' incurred by the lack of a realistic tax policy in previous years. The royal proposal was for a new ten-year contract (the current contract expired in 1577) under which 936 million *maravedís* were to be imposed in addition to the 456 million already collected. The new contract was signed in February 1575 and was to cover the period from 1 January 1575 until the end of 1584: 1,159 million *maravedís* were payable in the first year, and 1,394 million a year for the following nine years.

Difficulties in the collection of the tax arose when the cities and districts were informed about their new quotas under the *encabezamiento*. In cases where there was disagreement with the apportioned sums, royal commissioners with extensive powers superior to the councils in the cities were given the authority to farm out the taxes at the highest prices, subject to the legal maximum of 10 per cent. The crown's intention was to demonstrate to the cities that the new higher quotas and the *ad hoc* system were more palatable than the administration by outsiders. Meanwhile, the king was forced to declare his third bankruptcy in September 1575. Chaos spread throughout the financial system. A new wave of bankruptcies engulfed the domestic associates of the foreign bankers affected by the decree of royal bankruptcy, and these domestic financiers brought down with them both tradesmen and investors in the localities. In 1577, Philip responded to the crisis by reducing the *encabezamiento* to 1,018 million *maravedís* for that year and the following years until 1581.

The transformation of the short-term into a long-term consolidated debt at each declaration of bankruptcy resulted in a reduction in the disposable revenues available to the crown, since interest payments on new issues of the public debt were invariably underwritten on the ordinary revenues. By 1584, ordinary revenues amounted to 1,636.6 million *maravedís* while the annual payment of *juros* had reached 1,227.4 million, or 75 per cent of total ordinary revenue. Thus, as time passed, extraordinary revenues became the only disposable revenues. There was a tendency to rely increasingly on what the French termed 'casual revenues' (*parties casuelles*), such as the sale of jurisdictions, the 'inflation of

[32] Fortea Pérez (1990), 41–77.

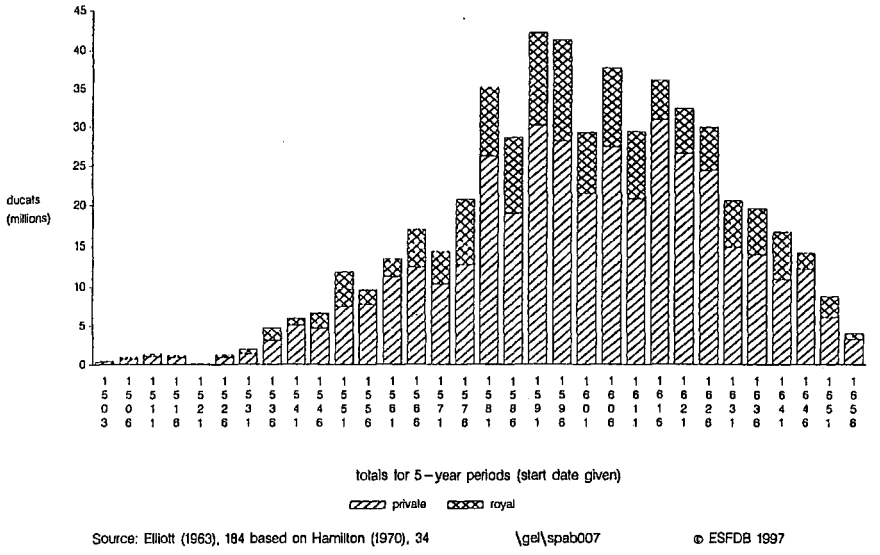


FIG. 6.5 Treasure from the Indies arriving in Castile, 1503–1660

honours' and so on. Philip II's revenues were boosted in these years by an unexpected influx in the royal share of Spanish American treasure, which rose from 3.9 million ducats (1571–5) to 8.0 million (1576–80), 9.1 million (1581–5) and 9.7 million (1586–1590), reaching a maximum of 13.2 million in the years 1596–1600 (Figure 6.5).[33] But even this was not enough given the scale of the military involvement of the 1580s and 1590s: the annexation of Portugal (1580), support for the French Catholic League (after 1584), the 'reconquest' of the Netherlands (1582–9), the Armada campaign (1588) and so on. 'Spanish power never looked more formidable than in 1591 and 1592', wrote J. H. Elliott.[34] But was the cost of such a 'formidable' power acceptable?

In September 1588, a few days after news of the disastrous outcome of the Armada had reached the Escorial, the Council of War expressed the opinion that 'what matters is that we should show great courage and continue what we have started'. In other words, the outcome of the Armada was to be disregarded and a final military push seemed to be the only option given the dangers facing the monarchy. New money to finance the war against England and the Dutch had to be collected as quickly as possible and on an unprecedented scale. Later

[33] Hamilton (1970*a*), 34; Elliott (1963), 184, converts Hamilton's figures into ducats. ESFDB \gel\spab007. Note the higher figures in Morineau (1985). The two sets of figures are discussed in Bonney (1991), 136, 215. Hamilton's work was originally published in 1934 [Ed.].

[34] Elliott (1980), 346.

in the month, Philip received a delegation of ten proctors (*procuradores*) of the *Cortes*.[35] At the meeting, it was revealed that expenditure on the combined army and navy in Flanders and the Channel had exceeded 10 million ducats, and that a new sum of between 8 and 10 million was required for the crown's immediate needs. In February 1589, a member of the standing committee of the *Cortes* reported to Philip that conditions (*condiciones*) would be imposed for any grant of *auxilium*. Indeed, even the granting of the sum would be difficult to achieve. The king resorted to every political device to obtain the consent of the cities' representatives; at the local level, in the city councils, where the main battle was taking place, royal officials (*corregidores*) used menace, bribery and the threat of imprisonment to force the councillors to vote the right way. Prominent aristocrats received letters from the king urging them to exercise their influence upon the local elites. There were unprecedented street protests in Madrid. At Avila, pamphlets against the king and the new tax circulated,[36] and two local nobles were prosecuted and condemned to death (one of whom was executed). There had been no political crisis like it since 1520. Finally, in April 1590, all but three of the eighteen cities represented in the *Cortes* agreed to grant the king 8 million ducats over the next six years. The agitation at Avila was concerned less with the amount of the tax than with the agreement between crown and *Cortes*, which, among other matters, made commoners and privileged individuals liable to taxation (the latter had never before had to pay a *servicio*). But since the means to collect the *servicio de millones* was left in the hands of the city councils, they resorted to expedients which scarcely affected the wealth of the privileged. Instead, Castilian *pechero* taxpayers were burdened with the full cost of the new *servicio*, which amounted to an annual instalment of the *encabezamiento* (agreed on 30 December 1589) of 0.46 million ducats, while the *millones* represented another 1.33 million.

When this *servicio* was about to expire, Philip asked for another. On this occasion, the cities showed their reluctance by including conditions for the grant which Philip could scarcely be expected to tolerate. One clause, for example, read that 'this *servicio* is granted by the kingdom for as long as the conditions of this contract are observed, and if any of these is broken it shall *ipso facto* cease, and the kingdom will have no obligation to continue with it'. While the king was negotiating the contract with the cities, a new decree of bankruptcy was published on 29 November 1596.[37] New conversions of floating debt raised the volume of *juros* in circulation by 21 per cent, as a result of the agreement (*medio general*) eventually reached between the king and his financiers (18

[35] Lovett (1987).
[36] Kagan (1990), 165.
[37] Castillo Pintado (1973), 137–44.

February 1598). Philip II died in September 1598 without having placed his signature on the contract for a new *servicio*. During the negotiations, it had become clear that *Cortes* and cities sought to exploit the opportunity provided by the financial problems of the crown to gain control over expenditure policy and other areas of government, which Philip regarded as detrimental to the royal prerogative.

Full reports were prepared for Philip III in October 1598, which revealed that there was not a single *maravedí* of ordinary revenue available for future expenditure, except for revenue from Spanish America. The forecasts for revenue and expenditure until 1603 suggested an annual deficit of at least 1.6 million ducats. The exhaustion of the ordinary revenues (except for treasure from the Indies) was a consequence of the resort to long-term borrowing (*juros*), with ordinary revenues paying the interest charge; by 1598 all the ordinary revenues had been committed to discharge annual debt servicing costs. As a result, for the rest of the seventeenth century, the only revenues available to the crown were the treasure from the Indies; ecclesiastical subsidies subject to Papal approval; and the *servicio ordinario* and *extraordinario* granted by the kingdom every three years. For the years 1599 and 1600, all these revenues had been handed over to the bankers to offset their debts and secure new cash advances, as a result of the agreement (*medio general*) reached in February 1598. If Philip III wished to continue the same foreign policy as his father, he needed to reach a political compromise in order to secure increased revenues.

The only solution was to ask for additional help from the *Cortes*. Whereas Philip II had vigorously rejected the conditions imposed by the *Cortes* as contrary to the authority of the crown (*mucha desautoridad*), Philip III accepted the terms of the contract for a new *servicio de millones* in 1601.[38] According to the conditions of the grant, the kingdom's help was to be used to eliminate debt from the king's finances (*desempeño*), that is, to free extraordinary revenue from the control of financiers. In addition, Philip III was required severely to reduce his expenditure, mainly the war expenditure incurred in Flanders. The king had no intention of doing this. Nor was the *Cortes* able to collect the tax in full—3 million ducats per annum for six years—as agreed in the contract. The plan collapsed. Since the war effort in Flanders continued with renewed impetus, and expenses continued to exceed income, another decree of bankruptcy became necessary in November 1607. The financial situation made imperative the negotiation of the Twelve Years' Truce in 1609. Philip III again asked the kingdom for a *servicio de millones* in 1608, which as a result of administrative problems was only collected from 1611. As in the case of the previous grant, it was designed to remove the

[38] Fortea Pérez (1990), 163.

debt burden on the king's extraordinary revenue; once again, inefficient collection by the 'kingdom', and a lack of application on the part of the king himself, rendered illusory the solution envisaged in the agreement of 1608.

In the years 1609–18, Philip III's government lost a golden opportunity to reform the royal finances in the new circumstances of a truce with the United Provinces. Before 1608, the funds sent to Flanders represented about 68 per cent of all *asientos* contracted: the truce from April 1609, and the absence of significant military commitments before 1618, meant that this was the optimum occasion for fiscal reform.[39] Philip III had some 1.8 million ducats available annually for this purpose from the reduced payments made by means of the *asientos* on the army, navy, ambassadors and so on. Mismanagement, corruption and unjustified expenditure on a significant scale help account for the lack of fiscal reform before the Thirty Years' War.

With the outbreak of war in 1618, military expenditure rose on an unprecedented scale, and the royal finances were found to be unprepared for the sudden increase. Expenditure outstripped income in the years 1617–21 and future revenue had to be anticipated to pay for current expenditure. There was a third appeal to the *Cortes* in 1619, which abandoned any attempt to help reform the king's finances, as in 1601 and 1608, and sought instead to gain control of those items of expenditure which were considered to be of special significance for the welfare of the 'kingdom'—domestic defence, maintenance of the royal councils and courts, the king's household and so on. After 1611, there was a separate financial administration for the management of the grants of the *Cortes*, which was independent of the royal Council of Finance. When in session, 'the kingdom gathered in the *Cortes*' was the sole administrator of its grant; during the intervals between sessions, a *Comisión de Millones* was placed in charge, while a committee of city councillors controlled the collection at the provincial level. Expenditure was thus divided into two separate spheres of responsibility—the king's and that of the 'kingdom'—the former covering warfare and dynastic policy, the latter concerned with home defence, the functioning of the royal institutions and so on. The responsibility for revenues was similarly divided between the royal administration and that of the 'kingdom'.[40] Although fraud and mismanagement generated a wide gap between the amount envisaged and what was actually collected by the administration of the 'kingdom', by 1620 the *servicio de millones* was the main revenue element in the Castilian fiscal system and had become more important even than revenues from Spanish America.

[39] Gelabert in Ormrod, Bonney and Bonney (1999) provides new evidence and a revised interpretation of the *asientos* under Philip III and Philip IV.

[40] Thompson (1982), 29–45; Fernández Albaladejo (1992), 270–80.

III

In November 1620, the Council of Finance sent Philip III a report on the state of the royal finances and a forecast (*presupuesto*) of expenditure for the next year (until the end of October 1621), which in the event included the first months of the reign of Philip IV. Against an estimated expenditure of nearly 4.8 million ducats, the Council could only count as revenues for 1620 the sum of 100,000 ducats from the *servicio de millones* and 300,000 ducats in revenues from Spanish America. The deficit of more than 3 million could have been reduced to a mere 308,291 ducats if the uncommitted revenue for 1621–4 was utilized for this purpose. In December 1621, the budget for the following year (until the end of October 1622) showed that, with the expiry of the Twelve Years' Truce, expenditure amounted to 8.3 million ducats, of which nearly half—3.8 million—was going to the northern front (the amount sent there had more than doubled since the previous year, when 1.6 million ducats had been sent). Yet in 1621 less than half a million ducats was available in net revenues. The deficit was less than 2.5 million ducats, but this figure had been achieved only by anticipating revenues until 1625. By July 1622, expenditure had risen still further, to nearly 9.2 million ducats, while in April 1623 the deficit was estimated at 2 million.

The growth in expenditure resulting from the resumption of war against the United Provinces in 1621 led to more loans being raised by means of *asientos* than for any other period in the seventeenth century (Figure 6.6).[41] The record was reached in 1623, when loan contracts totalling 12.4 million ducats were signed. The *annus mirabilis* (1625) was as much a consequence of financial as military achievement. But it took only six years for the anticipation of revenues on this scale to lead to another bankruptcy, this time declared in January 1627. The Genoese *asientistas* chose this moment to withdraw ('levarsi da negotj') to a secondary role in financial affairs. As reports from the Genoese ambassadors in Madrid clearly point out,[42] as early as 1623 they had expressed their reluctance to continue in such a risky business. It was of paramount significance for the Spanish imperial system that there was a Portuguese group of merchant bankers and financers to replace the Genoese connection.[43] The Portuguese were involved as bankers in the *asiento* system (Figure 6.7).[44] They were also farmers of the crown's customs revenues: as a result of their efforts, the customs yielded a higher annual revenue than previously.[45] On balance, however, the consequences of the debt rescheduling of 1627 were less positive. During the crucial

[41] Sanz Ayán (1988), 485, 491, 495; Gelabert, unpub. data; ESFDB \gel\spag002.
[42] Ciasca (1955), 134.
[43] Boyajian (1983), 42.
[44] Ibid. 205; ESFDB \gel\spag001.
[45] Boyajian (1983), 42.

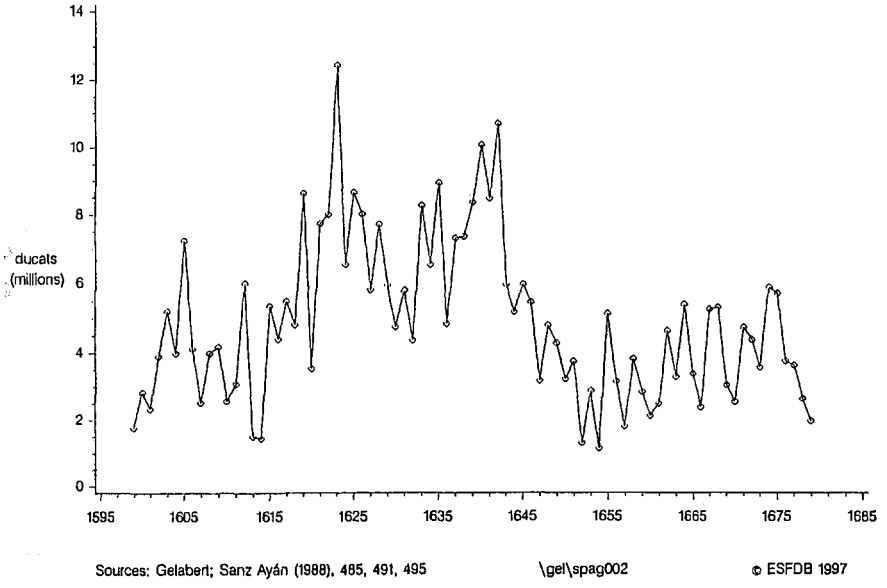


FIG. 6.6 Annual totals of loans (*asientos*), 1599–1679

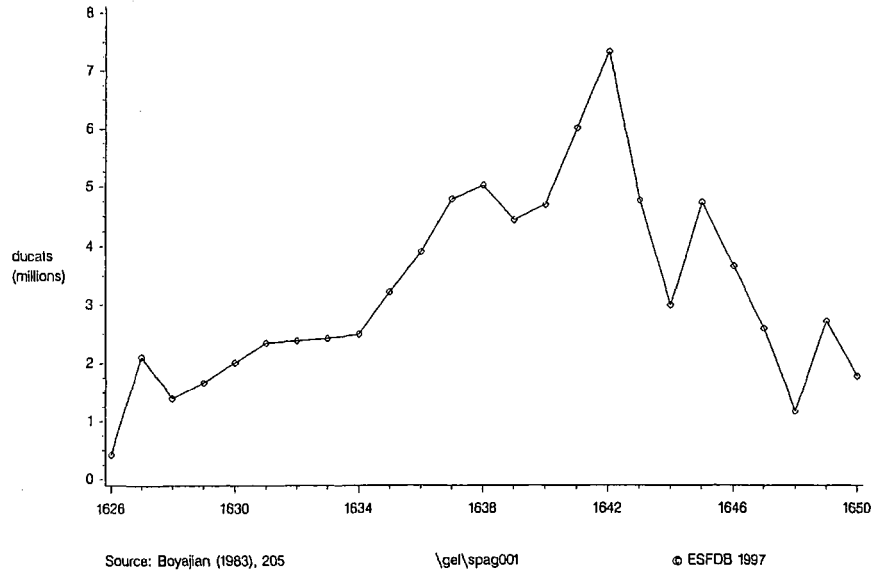


FIG. 6.7 Value of loans (*asientos*) signed by Portuguese bankers, 1626–50

years 1621–48, the capacity of the Castilian fiscal system to borrow—as expressed in the annual average of *asientos* contracted per quinquennium[46]—not only failed to expand but actually declined, in marked contrast to the increased levels of borrowing achieved by Castile's military rivals, France and the United Provinces.[47]

Despite the inexorable rise in military expenditure, and the resulting need to anticipate revenues by means of loan contracts, Philip IV and Olivares demonstrated from the outset a commitment to eliminate the corruption, unjustified expenditure and rewards (*mercedes*) that Lerma and his entourage had enjoyed.[48] Olivares, indeed, claimed that during Philip III's reign such rewards had amounted to 96 million ducats. As a sign that the royal treasury was now closed off from corruption, and that rewards had to be earned, expenditure on the royal household was reduced, the salaries of officials were cut, and in 1621 the rate of interest on the consolidated debt (*juros*) was restricted to 5 per cent. On the outbreak of war with France, in 1635, the crown resorted to a levy of half the annual value (*media anata*) of all *juros* belonging to Philip IV's subjects, and the whole value of those belonging to foreigners. This was originally conceived as a forced loan which would later be reimbursed. In reality, it became a permanent additional source of revenue since it was easy to levy. All types of revenue, not merely ordinary revenues, were used to guarantee the payment of new issues of *juros*.

Another measure of the extent to which there was recourse to expedients is provided by the debasement of the coinage, which during the first half of the seventeenth century can be measured through the premium on silver in terms of debased copper coins (*vellón*).[49] Until 1619, this premium never rose above 3 per cent maximum; it had reached 10 per cent by the last months of 1623 and 17 per cent by 1629. Yet by 1640, the premium was 45 per cent, and it reached 50 per cent in the last quarter of 1650. In the case of other expedients, such as the sale of town privileges, the peak was also reached in the 1630s and 1640s.[50] The fiscal administration of this period also relied increasingly on so-called 'free gifts' (*donativos*) from individuals, merchant guilds, members of the lawcourts and so on.[51] These were originally requested only from the wealthy, mainly aristocrats,

[46] The figures were: 8,672,670 ducats (1621–5); 6,451,947 (1626–30); 6,774,955 (1631–5); 7,590,817 (1636–40); 7,259,213 (1641–5); 4,184,366 (1646–50). Gelabert in Ormrod, Bonney and Bonney (1999).

[47] Bonney (1981), 317; 't Hart (1993), 61.

[48] Williams (1986); Pelorson (1983).

[49] Hamilton (1970*a*), 96.

[50] Nader (1990), 221.

[51] Domínguez Ortíz (1960), 297–313.

but by the mid-1630s financial officials were preparing in advance assessments of the wealth for all urban and rural taxpayers and the size of the levy to be requested. 'Gifts', 'loans' and *servicios* from the Seville merchant Consulate reached almost 4 million ducats between 1621 and 1630.[52]

The most famous of Olivares's reforms, and the one which ended in complete failure, was the attempt in 1625 to commit all the provinces and kingdoms of the Spanish Monarchy to the task of common defence. The so-called 'Union of Arms' has commonly been seen as a military device by means of which a unified standing army was to be established and paid for by the component territories in times of danger. The existence of financial documents from the period 1618–25 exchanged between Olivares, Philip IV and the Council of Finance lends credence to the view that the Union of Arms assumed its final, military, emphasis only after earlier (failed) attempts to establish a 'union of fiscs', that is to say, after an attempt to ensure greater contributions from the component territories and thus to reduce the burden on the Castilian taxpayers. On virtually every occasion when the king or Olivares addressed a request for funds to the Council of Finance the issue of fiscal equity arose—for example, the difference in the burden on Castile as compared to Catalonia. There was an added grievance in that Catalonia's defence establishment was paid for at Castile's expense. According to memoranda compiled at the Council of Finance, towns such as Barcelona, Gerona, Tortosa and Igualada had not paid the fifths (*quintos*) owed to the royal treasury for the period 1599–1632, which amounted to some 600,000 ducats. Others had paid, but in arrears which had accumulated since 1599. The issue of the *quintos* became an important grievance between Castile and Catalonia but failed to make any significant difference to the royal finances.

Although expenditure always exceeded revenues, the net revenue yield could certainly have been improved by better administration. This was particularly true of the *servicios de millones*, which after 1626 notionally amounted to 4 million ducats per annum; the expenses paid on such revenues never exceeded 2.5 million, however, and any further expenses above this sum remained unpaid. It was notoriously difficult for the crown to reform the system, since not long after the first grant in 1601 the 'kingdom' had gained complete autonomy for its administration through the *Comisión de Millones*, a new financial agency established in 1611, which was completely outside the control of the royal Council of Finance. In November 1627, the Council of Finance reported to Philip IV and Olivares that the financiers did not consider reimbursement from the *millones* a safe investment, and added that the Council 'cannot remedy this, since it has no jurisdiction'. Another contemporary text called such revenue 'ineffectively ad-

[52] Rodríguez Vicente (1977), 220–1.

ministered, usurped and diverted'. Arrears of interest payments on *asientos* were chargeable to the king, but the *Cortes* controlled the administration of much of the revenue against which such interest payments were assigned. Economic decline and corrupt administration were twin factors reducing the actual yield of revenue. The shortfall in revenue occurred despite an increased fiscal effort: while the nominal amount of the levy in the fiscal district of Segovia rose from index 44.4 in 1590 (on a base of 100 = 1604–8) to index 400.2 in 1659–60, the actual amount of tax collected increased from a minimum index of 42.9 (1594) to a maximum index of 137.8 (1660). In the case of the district of Seville, the minimum and maximum index numbers for the tax collected were respectively 98.1 (1607) and 216.7 (1640). The administration of those parts of Castilian revenue which were under the control of the *Cortes* showed signs of a mismanagement which was even more lamentable than the faults attributed to the royal administration.

Between 1625 and 1630, Olivares and his advisers tried to introduce order into this administrative chaos. The attack on corruption and mismanagement focused on the elimination of the *Comisión de Millones* and its dependent agencies, and the resumption of tax management by the Council of Finance. When the *Comisión* ascertained the crown's intentions, it argued that according to the wording of the contracts currently in operation, such action would result in an automatic cessation of financial assistance from the 'kingdom'. Deadlock resulted. Since the system could not be improved by more efficient administration, the government determined that it should be eliminated in return for a new tax, a *gabelle* on salt consumption. The exploitation of mines and salt-works fell within the *regalia*, and thus administration of the new tax would fall within the competence of the Council of Finance. Moreover, the regular summons of the *Cortes* would no longer be necessary, since the main reason for calling it would have ceased. Reservations were expressed about the realism of the proposals. When the matter was discussed by a panel of experts, Juan Chumacero voted against the new tax because of the risk of changing 'certainty for uncertainty'.

A royal decree in January 1631 abolished the *servicio de millones* and announced a new salt tax. Since no exemptions were to be permitted, it was expected to yield an annual revenue of 4 million ducats. Authority was given to royal agents to increase the price of salt if necessary in order to guarantee payment of the provincial quotas: this appeared to be a solid guarantee that the tax would be levied successfully. Arthur Hopton, the English Ambassador, reported that the salt tax was 'not much complained of by the subjects . . . being payable by all sorts of people, and it was a pretty way of imposing upon the clergy and religious people without leave from the Pope'.[53] Within a few months of the introduction

[53] Elliott (1986), 426.

of the tax, previous estimates of the likely levels of consumption per family were shown to have been unrealistic, while it had also become clear that local officials were increasingly reluctant to enforce this new fiscal measure. In the northern provinces, where salt was a basic commodity for fisheries and husbandry, a wave of protest spread from Galicia to Vizcaya. In the rest of the kingdom, cities, towns and villages lacked sufficient funds to purchase the amounts of salt assigned to them. Popular feeling seemed favourable to the *gabelle*, but the clergy claimed that the tax undermined clerical immunity. The urban elites and, more generally, the privileged classes were hostile. The administration of the *millones* provided opportunities for self-enrichment as well as political prestige for those who served in the town councils and at the *Cortes*. Moreover, if the *millones* were to disappear, how were the *juros*, which were guaranteed by these revenues, to be paid? A kingdom without *millones* would be a kingdom without a *Cortes*. Olivares's *gabelle* was perceived as a fiscal instrument for the establishment of a more complete form of absolute monarchical power. An alliance of vested interests helped defeat the attempted establishment of the *gabelle* in 1632.

Instead, the government sought to reform the fiscal administration of the *Cortes* 'from outside'. As in the case of contemporary France, the government resorted to a network of provincial commissioners to inspect the collection of taxes, mainly the *millones*. In contrast with France, however, where intendants could develop their tasks over a three-year period, Castilian commissioners received their authority for a mere sixty days 'or the least time needed'. They were heavily reliant on the co-operation of the local authorities, who might formally obey the royal will but did not necessarily carry it out. Once one of these extraordinary judges gained temporary control of the local tax management, the results could be spectacular and reflected the previous level of fraud in the system. Don Gerónimo de Loaysa was sent to Cordoba to overview the accounts from 1638 to 1647. Before his arrival, the tax yield was a mere 362 *reales* per annum. When don Gerónimo was present at the town, the tax yield suddenly rose to 333,901 *reales*![54] Nevertheless, in the longer term, royal control over the *millones* was surrendered to the *Cortes*: in 1647, Philip IV attempted, but failed, to incorporate the *Comisión de Millones* into the Council of Finance, and it was not until 1658 that this finally took place.

Philip IV dispensed with Olivares's services in January 1643. The fall of the former favourite did not immediately bring about an end to the maxims of dynastic survival (*conservación*), and the twin necessities of conserving *reputación* among the European powers and securing a just peace (*paz honesta*).[55] Yet in the

[54] Gelabert (1990), 567. [55] Stradling (1988), 269.

1640s the greater danger was a domestic one, posed by the revolts of Catalonia and Portugal. An important meeting between Philip IV and his most senior advisers at Fraga, on the Catalan front, in the summer of 1644 recognized the impossibility of paying equal attention to the various war fronts; the Council of Finance was a leading voice in the new strategy to cut down on foreign policy commitments.[56] Peace could not be secured with France, but exploratory conversations with the United Provinces ended in a treaty in January 1648. This permitted a redeployment of resources. Whereas in 1644 the Portuguese front was assigned a mere 800,000 ducats, by 1651 some 1.5 million ducats reached the army in Extremadura; Castile was now spending as much as 28.4 per cent of its budget on the war to recover the rebellious territories in the Iberian peninsula.[57] How was the war to be financed now that every source of ordinary revenue was exhausted? Foreign and domestic war had impoverished the Castilian economy, and reduced the capacity of the fiscal system to extract an equivalent revenue to that enjoyed, for example, by Charles V in the 1540s. When allowance is made for inflation, the shortfall of treasure arriving from Spanish America also served to reduce the available royal revenues from a maximum of nearly 8.8 million *pesos* (10.5 million ducats) in 1591–5 to 1.2 million *pesos* (1.4 million ducats) in 1646–50 (Figure 6.8).[58]

Above all, the domestic fiscal system, especially the administration of the *millones* by the *Cortes*, seems to have served less as a channel to direct public wealth towards the crown than to transfer it from the majority of taxpayers to a minority of administrators within the cities. On this at least taxpayers and the Council of Finance were in agreement. The money was actually collected, but on its way from the fiscal districts to Madrid, an annual revenue worth 2 million ducats rarely amounted to a net yield of a quarter of that sum. Ordinary *pechero* taxpayers were in no position to pay tax increases; but it had become clear that the urban oligarchies understood better than the Council of Finance where and by which means additional money could be raised.

Thus from the 1660s until the end of the century, the crown bypassed the *Cortes* and made a direct appeal to the cities for 'gifts' (*donativos*). In so doing, the crown had to accept the conditions proposed by the cities, which took over the responsibility for collection of the tax and determined the type of tax to be collected. The towns also acted as agencies for the recruitment, mustering, provisioning and lodging of troops. This was most evident in the case of Seville, owing to its proximity to the Portuguese border. Madrid and Valladolid may not

[56] Ibid. 287.

[57] Sánchez Belén (1986), 379.

[58] Flynn (1982), 142; ESFDB \gel\spaboo5. Cf. Bonney (1991), 218, 224, who compares Hamilton's and Morineau's figures in ducats.

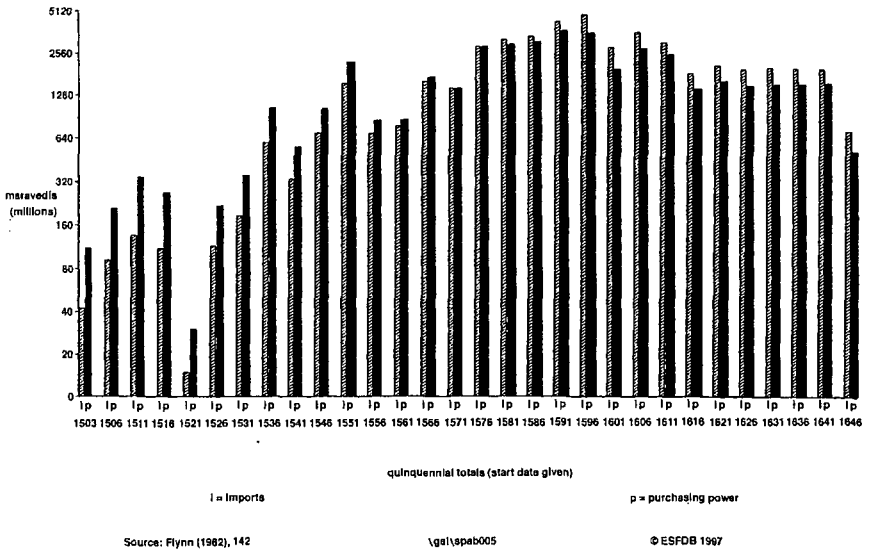


FIG. 6.8 Imports of treasure by the Spanish monarchy and its purchasing power, 1505–1650

have assumed all these responsibilities, but merely agreed to levy the taxes. What is clear, however, is that, although the cities committed themselves to collect substantial sums of money (Figure 6.9),[59] direct recourse to them as tax collectors had begun before the 1660s. Already in the 1620s, the crown had resorted to the device of 'forced loans' from the cities (confusingly also called *asientos*, as were the loan contracts with foreign bankers), as, for example, in the case of Cordoba (1628) and Seville (1621 and 1629). In other words, it seems clear that the crown had at an early stage realized that its preferred partner in fiscal matters might be the cities themselves rather than the *Cortes*. There were also constitutional advantages in the new arrangements—in addition to the argument over the nature of the powers of the *procuradores*, summoning the *Cortes* caused delays in securing funds to finance urgent expenditure, while the need to bribe the *procuradores* to ensure their compliance also put up costs.[60]

In September 1665, shortly after the death of Philip IV, the new Regency government revoked the summons of the *Cortes*. The *servicios* were due to expire in 1668, but Mariana's advisers suggested that direct negotiation with the cities could offer the yield in the form of *asientos* or *donativos*. A few days after

[59] Martínez Ruiz (1992), 269–80 (Seville); Gutiérrez Alonso (1989), 368 (Valladolid); Fayard (1984), 258–61 (Madrid); ESFDB \gel\spab006.

[60] Thompson (1984), 126–8.

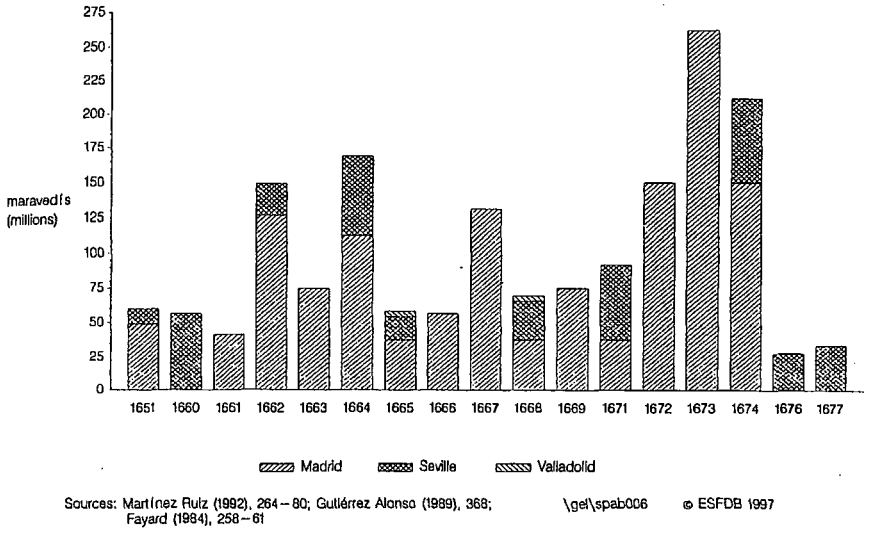


FIG. 6.9 Loans contracted between the cities and the crown in Spain, 1651–77

Philip's death, the Regency government issued a decree empowering city councils to approve *servicios* without a meeting of the *Cortes*. This constitutional change scarcely affected the capacity of the government to borrow after 1665—the same level of *asientos*, or even a slight increase, was attained (Figure 6.6), with over 5 million ducats in 1667 and 1668 for the War of Devolution and the attempt to counter the French invasion of Franche-Comté. The same figure was attained at first in the war of 1672–8, when France again invaded Flanders, revolt broke out at Messina (1674), and the French fleet menaced the Spanish Mediterranean coast.[61]

Despite these conflicts with France, and the significance of the French invasion of Catalonia during the War of the League of Augsburg, warfare was less intense for much of the reign of Charles II in comparison with the period before 1659. The fiscal effort of the Castilian population had reached its limits, and the government had to be content at best with a stable tax revenue. Even so, there was a growing conviction that reform required not just tax stability but tax reduction. The word 'relief' (*alivio*) was used more frequently than perhaps ever before in reformist literature. The diagnosis of the malady in the Castilian fiscal system was scarcely a state secret in the last decades of the seventeenth century. First and foremost, there was the problem of the consolidated debt: of some 12.8

[61] Sanz Ayán (1988), 156–9, 226–9, 278–83.

million ducats in annual royal income in 1667, 9.1 million went to finance debt servicing costs.[62] To reduce this proportion either the rate of interest had to be lowered or a substantial part of the debt had to be redeemed. The total capital invested in the state debt was estimated at 183.9 million ducats, that is, the equivalent of fourteen times the annual tax revenue. The reduction of the rate of interest (say from 5 to 3, 2.5 or even 2 per cent) was no simple operation, whether from a financial or a political point of view. A substantial proportion of the debt was owned by bankers, communities and charitable institutions. If a reduction in interest rates took place, the bankers might lose confidence in the crown's reliability and in the fiscal system, whilst for communities and charitable institutions, the *juros* represented a considerable proportion of their revenues; indeed, without full payment they would be unable to help those poorer sectors of society whom they served. Nor was it easy to cut items of expenditure. Some commentators spoke of freezing the salaries of royal officials, or a reduction in the number of officials. Yet the likely benefits were small: official salaries amounted in 1669 to only 8 per cent of total expenses, a relatively insignificant category of expenditure in comparison with the costs of debt servicing.

Nevertheless, the era of peace after a long period of war created the circumstances of administrative and political calm which were a prerequisite for reflection and debate about the best means of achieving reform. Once the long war with Portugal ended in 1668, a Board for Relief (*Junta de Alivios*) commenced work.[63] It began by eliminating certain minor taxes, such as the so-called *servicio de quiebras de millones*, which had been created to fill the gap between the nominal collection of the *millones* as agreed in the *Cortes*, and the actual amount levied. The yield of this tax was estimated at 1.3 million ducats. The levy was reduced by 20 per cent in 1665, and the complete elimination of the tax thereafter resulted in the treasury surrendering about a million ducats in annual income. In 1669, the so-called *servicio de milicia* was also reduced by a third. In the same year, all royal and municipal excises were reduced by half. The effect of this last measure was particularly important, since despite the cut in the size of the levy there was scarcely any reduction in the overall amount collected; indeed, in some years the amount collected actually rose. This provided evidence for those who had argued that the low level of tax collected under the excise system was a consequence of reduced consumption.[64] People simply could not afford the

[62] Kamen (1980), 360. [63] Sánchez Belén (1989), 641.

[64] Thus contrast the amount of tax collected for three different excise taxes (a, b and c) in two periods, 1665–8 and 1669–70, the second shorter than the first. For 1665–8: (a) 765.6 million *maravedís*; (b) 164.3 million; (c) 212.4 million. For 1669–70: (a) 757.7 million; (b) 171.2 million; (c) 212.7 million. Sánchez Belén (1989), 653.

high prices of items of consumption such as wine, meat and olive oil when they were burdened with such heavy levels of taxation. Once the taxes were reduced, increased consumption filled the gap in tax revenue, and in some cases actually led to higher amounts of tax being collected.

With reduced expenditure and slightly improved revenues, the crown could also grant remissions on the debts owed by many small communities resulting from the 'free gifts' (*donativos*) granted between 1625 and 1658. At the beginning of Charles II's reign, there were also serious attempts to reform the administrative machinery as well as the nature of taxation. The excessive number of treasuries was criticized. It was claimed (incorrectly) that 'the Turks, the French king and all other European powers have only one' treasury. Money was likened to flour, which if it was sacked and resacked suffered loss: 'the more sacks through which it passes, the more diminution it suffers.' It was argued that the many types of financial official should be reduced to a single unified body on the 'French model', which was enthusiastically endorsed by the Spanish ambassador to the court of Louis XIV, the Marquis de la Fuente. In 1682, royal instructions were issued for the extension of the *encabezamiento* system (the regime under which the *alcabalas* had been administered since 1494, with the exception of the early years of Charles V's reign) to include the additions to the *alcabala*, the so-called *cientos*, the ordinary and extraordinary *servicios* and the *millones*.

The most significant proportion of the royal revenue was thus to be levied without recourse to tax contractors, and a bilateral relationship between the royal treasury and the taxpayers was to be restored. Both, it was assumed, would benefit from this change: communities would no longer endure the presence of private tax collectors who frequently demanded more from the taxpayers than the sums to which they were entitled; from the point of view of the crown, as was already the case with the *alcabalas*, the royal treasury would know in advance the amount of annual revenue it might expect to obtain. The negotiation of the new quotas, known as 'provincial rents' (*rentas provinciales*), and their subsequent levy, would be carried out by a new body of officials called, after the French intendants, *superintendentes*. Each superintendant would be placed at the head of one of the twenty-one fiscal districts within the kingdom. Apart from collecting taxes, these new officials, again under the influence of the French system of intendants, would be required to promote the welfare of the population in their districts and from time to time to adjust the repartition of taxes to take into account changes in the wealth of taxpayers in a particular area.[65]

[65] Ibid. 659.

The new method of tax collection did not achieve its purpose and led to a loss in revenue, according to different sources, of between 12 and 18 per cent. As a consequence, the policy of fiscal 'relief' fell into disarray. The extension of the new administrative system across the kingdom provoked fierce resistance from the existing local authorities, who argued that if what the crown wanted was a single system of financial officials, the simplest course was to add to the existing judicial powers of the *corregidores* new ones related to financial administration. This was precisely what the plan sought to avoid, fearing that the close ties of mutual interdependence between *corregidores* and local authorities (*regidores*) was against the interest both of taxpayers and the treasury. The royal judges and local authorities were not without support at the centre of government, and were strongly backed by the Council of Castile, as well as by some of the leading officials within the Council of Finance who were strongly linked to the tax contractors' lobby. They obtained a concession in 1684 allowing the *corregidores* to administer the *rentas provinciales*. The counter-offensive of the judiciary and a part of the Council of Finance continued, and two years later the tax contractors were back at work again. But, in 1691, *superintendentes* were again sent to the provinces, with much more precise instructions for the development of the communities' welfare. The *police* ideals of Colbertist, French, origin had crossed the Pyrenees.

French ideas on a radical modification of the fiscal system also made headway in Spain, but there had already been a debate on this earlier in the century. One of the most influential ideas was that of reducing all existing contributions to a single tax, the 'universal tax' (*medio universal*)—what the Physiocrats would later call the *impôt unique*[66]—and this had taken many forms in the writings of the 'projectors' (*arbitristas*). This now seemed capable of being implemented, as a result of government support and a political climate in favour of change. The fiscal measure (*medio*) proposed in 1671 by Francisco Centani was to transfer the fiscal burden from consumption to production. Considering that excessive economic damage resulted from taxing the 'son' (consumption), Centani thought it more reasonable and just to tap the 'mother' (production), that is, the wealth of landowners and those farming for a surplus.[67] Centani's proposition is interesting in that to some extent it anticipates later Spanish writers of the Enlightenment. However, he sought to safeguard the fiscal privileges of nobility and clergy alike. Centani's *medio universal* was close to a *taille réelle*, taxing not the person but his goods. His tax could not therefore be considered a personal tribute (*carga personal*). Following the argument of those who in 1630 had proposed the establishment of the salt tax (they had considered it not a new tax but

[66] Bonney in Bonney (1995), 173–4, 189–92, 195–7.

[67] Sureda Carrión (1949), 221–7.

a replacement for the *millones*), Centani sought to avoid seeking the consent of the *Cortes*, where opposition could be expected. Instead, the government itself eventually rejected the proposed new tax.

IV

Castilian finances remained in poor shape on the eve of the Bourbon succession. Although the last of Philip IV's bankruptcies had taken place in 1662, and the Regency government was forced to reschedule payments in 1666, these events had ushered in nearly thirty years without similar measures, though the devaluation of 1680 had caused comparable problems for the financiers. The financial crisis provoked by the French invasion during the War of the League of Augsburg—'the gravest threat to Spain since the accession of Charles II, and the country's biggest military commitment since the ending of the war with Portugal'[68]—provoked not one debt rescheduling but two in 1693. Further decrees of bankruptcy followed in 1695 and 1697. Charles II's death and his decision to nominate Philip, duke of Anjou, Louis XIV's grandson, as heir to the Spanish crown, made inevitable the War of the Spanish Succession (1701/2–13/14). In order to defend his 'hereditary' rights, Philip V and his advisers adopted few fiscal innovations, at least until 1707. As was usually the case in financial emergencies, the government resorted to extraordinary measures such as asking for 'gifts' (*donativos*); a reduction of 5 per cent in the salaries of all royal officials was also put into effect, as well as a reduction in the payment of royal revenues previously alienated to individuals;[69] finally, among other measures, a third of all municipal assets was compulsorily seized. In 1704 and 1705, discounts on the excise taxes granted during Charles II's reign were also suspended, and, finally, the interest rate on the public debt was reduced from 5 to 3 per cent, a measure which had the effect of reducing the burden of debt servicing costs on current expenditure by 40 per cent.[70]

When, in 1707, the kingdoms of the crown of Aragon sided with the Habsburg candidate, Archduke Charles, Philip V and his advisers found a golden opportunity to revoke their privileges, assimilate their political regimes to that of Castile, and to bring about an end to the tax inequality or immunity of these areas in comparison with Castile. The new fiscal system was intended to become more just and equitable in the Aragonese realms than elsewhere—the introduction of the old errors and malfunctions of the Castilian system was to be avoided at all costs, notwithstanding the pressing financial demands of war. Some new

[68] Kamen (1980), 379.
[69] Kamen (1969), 216–18.
[70] Artola (1982), 224–5.

measures, such as the duty on stamped paper (*papel sellado*), were introduced without difficulty; but when the new government tried to establish the whole *alcabala* system in the kingdom of Valencia it was immediately observed that administrative difficulties and unforeseen costs swallowed up much of the tax yield. Other mechanisms had to be adopted, and the authorities estimated what the tax would actually yield if properly administered: soon afterwards, in 1714, under the name of the *equivalente*, a capitation tax was collected instead. Though this measure signalled that the campaign for tax reform was underway in the newly integrated territories, it was clear that the introduction of proper criteria of fiscal justice remained indeed a distant objective: taxpayers were not distinguished according to their personal wealth, level of consumption and so on, in the allocation of *equivalente*. Protests resulted, and the levy had to be reduced by 29 per cent in order to defuse the opposition. Even so, the treasury soon found that its revenue was on the increase, while the per capita fiscal burden was reduced by the economic recovery of the post-war years. What initially had been conceived as a temporary levy thus became a permanent feature of the fiscal structure of Valencia.

Similar administrative difficulties were experienced initially in the kingdom of Aragon, where it was finally decided in 1716 to act by a similar process of adjustment: an initial guess of 8 million *reales* for the original levy of the new tax had to be reduced soon afterwards to 5 million. Catalonia was assigned an overall sum of 31 million in 1715, but this was reduced to 22 million once the war was over. As distinct from the Valencian system, there was an attempt in Catalonia to take into account individual wealth 'and other considerations which could produce equity'. The newly integrated territories were thus in a sense the testing ground for new approaches to secure fiscal justice which were then transplanted to the rest of Spain. One of the seminal ideas was the land survey (*catastro*), with its attempt to distinguish the two great types of wealth liable of taxation: income from land (categories of land, their values, harvest yields and so on) was distinguished from personal wealth (wages, industrial profits and other sorts of income). The post-war period—as in the early years of Charles II's reign—seemed to provide a unique opportunity, and the role of Philip V's French advisers in this post-war reforming endeavour must not be underestimated.

Later, in 1732, Miguel de Zavala y Auñón addressed a proposal (*Representación*) to the king for the establishment of a single tax (*única contribución*) on revenues regardless of the economic activity or the ownership of the wealth—a scheme which was doubtless inspired by French ideas.[71] Nothing came of this idea, but

[71] Fernández Albaladejo (1977), 61.

in 1747 the marquis of La Ensenada incorporated it into his reform proposals for the new king, Ferdinand VI. An experiment with the *catastro* was launched in one of the Spanish provinces (Guadalajara). The information collected, after some years' work, showed that a single tax of 6–7 per cent on all revenues would yield to the royal treasury as much as all the taxes collected under the old fiscal system, but without the evils associated with the previous method of tax collection.

In October 1749, the king ordered the introduction of the *catastro* throughout Spain and by 1756, the task was complete.[72] The following year, Ferdinand VI obtained authorization from the Pope for the tax to be collected among the clergy. Yet at this, the crucial moment of decision, the scheme was aborted. Political difficulties had already surfaced while the *catastro* was being drawn up because of objections to the revocation of the fiscal privileges of both clergy and nobility. At the centre, La Ensenada lacked support among the other ministers. He was dismissed in 1754, which led to a purge of those of his clients who were trying to establish the new tax scheme in the provinces. Following the accession of the new king, Charles III, in 1759,[73] the idea of establishing the *única contribución* was revived again. However, the opponents of the scheme insisted on the revision of the *catastro*, which brought about further delays. The scheme was attempted once more in 1770, but was abandoned a few years later.

The failure to implement the single tax scheme because of the opposition from the privileged classes should not detract from the other reforms which improved the administration of taxation under the Bourbon kings. In comparison with the dispersed system of the seventeenth century, with control split between the Council of Finance and the commission of the *Cortes*, the Council of Finance was now firmly in control, with membership restricted to only five councillors (one of whom represented the entire territories of the crown of Aragon). The designation of these revenues, the so-called 'provincial rents' (*rentas provinciales*), attests to the desire to achieve comprehensiveness where formerly there had been fragmentation. At the apex of the system in the provinces, at least for some years in the early eighteenth century (1711–15, 1718–21) and permanently from 1749, were the provincial intendants who were modelled on their French counterparts. Their tasks included 'the due administration of . . . [the king's] finances and collection of [his] taxes', together with responsibilities arising from the concerns of justice, war and *police*: with the addition of their financial role, these powers were known as the 'four causes' (*cuatro causas*) or justifications of their authority. Opposition from established officials such as

[72] Bonney in Bonney (1995), 371.

[73] Fernández Albaladejo (1992), 419.

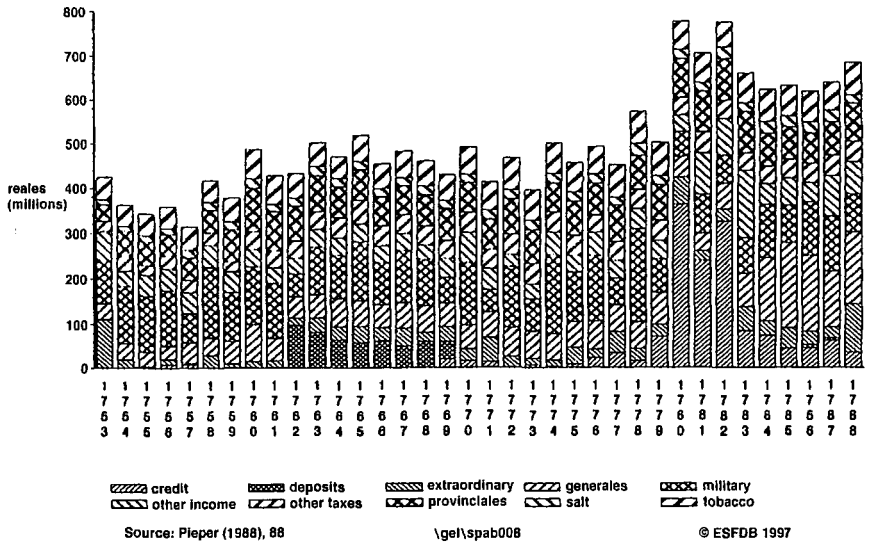


FIG. 6.10 Categories of revenue of the Spanish crown, 1753–88

the *corregidores* could only be neutralized by appointing them as intendants—eleven of the nineteen intendants appointed in 1749 were already *corregidores* in the provincial capitals where they served. Also in 1749, royal officials began the direct management of all taxes, and the tax contracting system was abandoned. New categories of royal officials—such as *delegados*, *subdelegados*, *directores* and *superintendentes*—were introduced, who were mostly modelled on the French system. This highly efficient bureaucracy created records which permit the fiscal historian to ascertain details of gross and net revenues, and the structure of revenues, in a way which is simply not possible for earlier periods of Spanish history.[74] There was still no single treasury until 1799, however, and a modern conception of the budget came even later.

Thus the total revenue of the Spanish monarchy may be estimated with reasonable accuracy between 1753 and 1788 (Figure 6.10).[75] There were three important items in this gross revenue. Firstly, there were the so-called 'provincial rents' (*rentas provinciales*)—the yield of traditional taxes such as the *alcabala*, *servicios ordinario* and *extraordinario*, *millones*. Secondly, there were the so-called 'general revenues' (*rentas generales*)—the duties on domestic and foreign trade. Thirdly, the yield of royal monopolies such as the taxes on tobacco and salt was

[74] Pieper (1988, 1992).

[75] Pieper (1988), 88; Pieper (1992), 99; ESFDB \gel\spab008.

also of considerable importance. The introduction of the new fiscal system in the territories of the Aragonese crown after the War of the Spanish Succession led to a sudden increase in royal revenues, from under 200 million *reales* in *c.*1740 to 250 million by 1750. The evolution of the *rentas provinciales*, which were mainly indirect taxes, was closely linked to population growth, the welfare and consumption of taxpayers, the extent of urbanization and so on. Most of these variables experienced sustained growth during the first half of the eighteenth century, and thus the buoyancy of this revenue until 1760 is easily explained. By this date, they represented just over a fifth of total income (98.5 million *reales* out of a total of 486.3 million). The long-term evolution of the *rentas generales* was subject to the vagaries of foreign and domestic trade, yet they, too, saw a substantial recovery throughout the eighteenth century with the exception of war years (such as 1755, 1762, 1768 and 1779). As in France, the importance of the royal monopoly on tobacco consumption should not be underestimated during this period, its annual yield being equal to, or even surpassing, these other two main elements of revenue.

This sustained period of revenue growth meant that the deficit was no longer a matter of concern until 1780, when Charles III decided to carry on with renewed impetus the war he had declared with England the previous year (Figure 6.11).[76] This provoked a massive recourse to borrowing. A royal decree of September 1780 authorized the launch of a form of paper money carrying interest at 4 per cent (*vales reales*).[77] The previous April, Charles III's government had approved a loan worth 135 million *reales*, managed by a consortium of financiers led by Francisco Cabarrús, who was a financier of French origin. Three years later, Cabarrús was appointed honorary director of the *Banco de San Carlos*, the immediate predecessor of the present *Banco de España*. In exchange for this loan, he and his associates received a licence to issue *vales* to be sold on the financial market; but the paper money also had a form of enforced circulation in certain types of economic operation such as the payment of taxes, bills of exchange and 'any other kind of contractual liability . . . in the same way as if it had been done in customary and common money'. Initially, the *vales* had been given a high face value in order to give them a privileged position as regards ordinary monetary circulation in cash, and the crown also committed itself to withdraw annually one-twentieth of the total amount of the issues over a twenty-year period (thus, in principle, redeeming the debt in its totality). However, more *vales* came onto the market in 1781, and again in 1782, as a consequence of further loans. The economic situation did not assist such experimentation, since the war in the Atlantic menaced the stability of the trade with

[76] Pieper (1988), 155; ESFDB \gel\spag003.

[77] Tedde (1988), ch. 2.

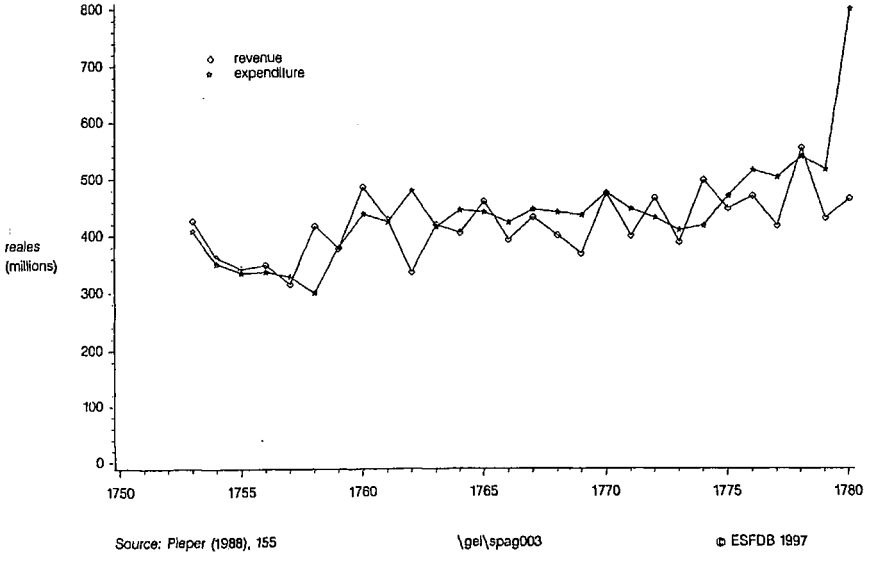


FIG. 6.11 Evolution of the Spanish budgetary deficit, 1753–88

Spanish America, the main source of wealth for many of those who purchased the *vales*. By the end of 1782, the *vales* had lost 13 or 14 per cent of their face value. In early 1783, an armistice was signed with England, and the fleet from the Indies arrived at Cádiz safe with its treasure and merchandise: by September, the *vales* were circulating at par. The situation had also been rescued by the actions of the *Banco de San Carlos*, which was established in June 1782.[78] One of the first concerns of the bank's authorities was the acceptance of *vales* in exchange for its shares, and indeed from September 1783 until 1793, when war against Revolutionary France began, *vales* circulated at par (or even slightly above par in 1791 and 1792).

On the eve of the Revolutionary Wars, the fiscal system with its emphasis on indirect taxes—which had proved so inefficient during the economic crisis and agrarian depression[79] of the seventeenth century—had proved to be relatively well adapted to the long period of economic expansion from 1722 to 1779. The data in Figure 6.12[80] show that direct taxation—slightly above 20 per cent of the total in the first four decades of the century—declined in importance after 1740, and that the vacuum was filled by indirect taxes. The system worked

[78] Hamilton (1970*b*), 211.
[79] Weisser (1982).
[80] García-Cuenca Ariati (1991), 73; ESFDB \gel\spab009.

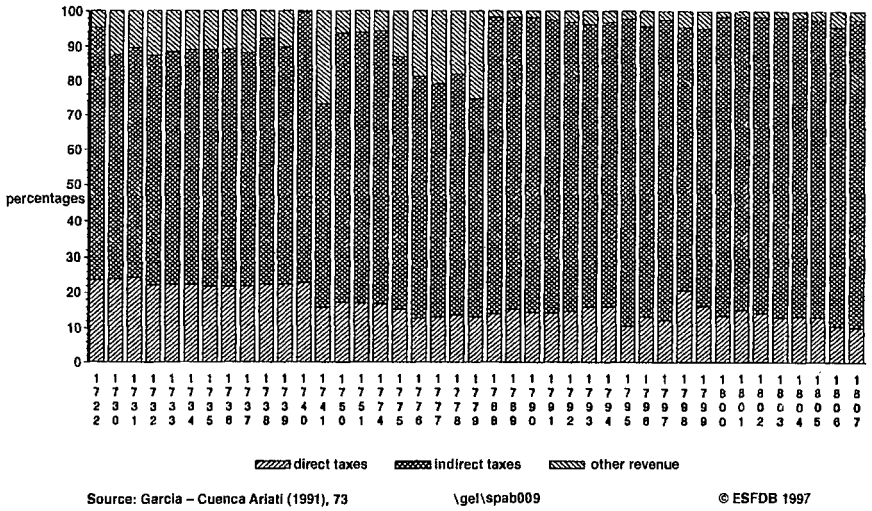


FIG. 6.12 Categories of revenue of the Spanish crown, 1722–1807

satisfactorily until 1780 without any substantial alteration to its main elements. However, by this date it had become clear that the alleged fiscal homogenization between the crowns of Castile and Aragon had begun to lose significance, since the quota allotted to the newly integrated provinces at the beginning of the eighteenth century was not subsequently revised. Inflation and economic growth had helped reduce in real terms the fiscal burden of participating in the general expenses of the unified kingdom. In 1730–9, the Catalan taxpayer contributed 43 *reales* while his Castilian counterpart contributed 26.8 *reales*; by 1790–9, the roles had been reversed, with the Catalan taxpayer paying 124.3 *reales* and the Castilian 220.5 *reales*.

By the 1780s, it was clear that, with the growth of war expenditure, the old question of fiscal inequity between the provinces—and also between the king's subjects—was back on the agenda. 'Projectors' and social reformers proposed a transfer of the fiscal burden from the peasantry to the landowners, with *ad hoc* fiscal and administrative mechanisms which would prevent landowners from recouping this tax via the rent on land. This was the purpose of the so-called 'contribution on lay crops' (*contribución de frutos civiles*) discussed by Francisco Cabarrús and the government in 1783, the levy of which was attempted later in the year. Similar political obstacles arose to those which had met the *unica contribución*, that is, the strong opposition of the privileged groups, the clergy and nobility. The government was forced to retreat and to attempt to levy more

revenue by way of indirect taxation. After 1785, the mechanism of collection was altered, so that the tax was paid on the entry of goods to a market town, regardless of whether a later sale took place or not (previously the tax had been levied at the moment of sale). This device ensured that revenue from the *rentas provinciales* rose from some 130 million *reales* in 1786 to some 187 million by 1796. Nevertheless, the cumulative debt of the years 1793–6—2,767 million *reales*—exceeded by 140 per cent the ordinary revenue of the same period. As in the dark days of the Thirty Years' War, the crown had no alternative but to turn to its subjects, requesting the payment of 'gifts' from their sense of patriotism.

V

The crisis experienced by the Spanish fiscal system during the years 1793–1808 was a state of exhaustion resulting from almost permanent warfare. Shortly after the execution of Louis XVI by the French Revolutionaries, Charles IV declared war in March 1793; the war did not end until July 1795. The realignment with France led instead to open conflict with Britain (October 1796–March 1802), while in 1801 war was also declared on Portugal. The Peace of Amiens of 1802 proved of short duration and with the open war between France and Britain, Spain was required first to pay France a war subsidy, and finally to become openly involved in the war after December 1804. Historians of the period have emphasized both the 'inflexibility of treasury income' and the 'basic stability of tax revenue' in the period, which resulted in 'desperate' measures to finance the war.[81] By the 1790s, the burden of taxation had probably reached its peak for the *ancien régime*, or at least the period before the French invasion, since unlike the previous three centuries of Castilian and Spanish history, tax revolts exploded in the years 1790–1 and 1797–8 in the west (Galicia and the Asturias) and the south (Seville). Merchant communities in Catalonia and the Basque provinces also showed a marked resentment of the political and financial measures taken at court.[82]

With the advent of war in 1793, the first response of the government was paper inflation: three further issues of *vales reales*, for a total of 64.2 million *reales*, came onto the market between 1794 and 1795. In order to create public confidence, a royal decree established an 'amortization fund', and the *vales reales* were called a 'national debt contracted in the public interest'. The fund was meant to

[81] Barbier and Klein (1981); the most complete analysis of all sources of revenue is that of Cuenca Esteban (1981), 206–8; see also the graphs of Bonney in Bonney (1995), 373–4, 459, 461, figs. 48–9, 79–80.

[82] Herr (1989), 83.

redeem the public debt, although the financing was sufficient only to maintain confidence in existing issues. Within a year, the *vales reales* were suffering a discount of 22 per cent. Prospects for financial recovery diminished considerably when Spain entered an alliance with France against Britain: the British navy disrupted the Atlantic trade, which was vital for customs duties and silver remittances from America. By 1795, the market for *vales reales* seemed to be glutted, so the government resorted to the issue of bonds at 5 per cent interest with a low face value in order to attract purchasers among the 'less well-off class of the nation'. Yet even this was insufficient. The time for 'desperate' measures had arrived.

In the second half of the eighteenth century, there had been considerable efforts to broaden the social basis of taxation, which had been successfully resisted by a coalition of churchmen and nobility. 'Enlightened' ministers had lacked the power to overcome this coalition; but if the coalition could be split, if the attack was directed at one party but not the other—indeed, if the other sought to profit from the opportunity—the whole situation could be transformed almost overnight. This was what happened in the aftermath of a massive naval defeat inflicted by the British at Cap San Vincent in 1797, which necessitated a further drive for funds with which to continue the war effort. In September 1798, Charles IV signed a decree 'inviting' the ecclesiastical authorities to sell properties belonging to 'hospitals, hospices, houses of charity, homes for the aged, foundling homes, confraternities' and so on. Another royal decree ordered the sale of the Jesuits' remaining properties in Spain, while two other decrees ordered the properties of the *Colegios Mayores* to be sold,[83] and more generally the owners of all entailed properties (*mayorazgos*) to sell them wholly or in part: in each case, this was on condition that the capital would be placed in the amortization fund at the current rate of interest.

The decrees of September 1798 represent a true turning-point in Spanish history, well beyond their immediate financial origins and significance. On the agrarian front, the land market expanded substantially as a consequence of the effect of disentailment on the estates of landowners. The decision affecting Church property had been taken without prior Papal authorization, and this clearly affected relations with Rome and had implications for the royal prerogative. In the realm of finance, the change restored the creditworthiness of the *vales reales*, since they could be used at their nominal value to buy the properties now put up for sale. The crown was also able to remove some of them from

[83] These were six residential colleges located at the Universities of Salamanca, Valladolid and Alcalá de Henares. On the whole process of *desamortización* Herr (1989), 93–9 and *passim*, is fundamental.

circulation, since they were handed over in exchange for properties that had been sold.

All of this amounted to a new direction of policy long before the French invasion, and this was confirmed in 1798 with the collection of a subsidy of 300 million *reales* (*subsidio de los 300 millones*) which, for the first time, removed noble and ecclesiastical exemptions—although its actual implementation proved less successful than its original intention. Even so, the ordinary revenue of the crown remained virtually static and indeed had peaked earlier, in 1796.[84] A measure of recovery took place in 1802–4, but the level of ordinary revenue attained in 1796 was not reached again until after 1820. If total revenue rose to a peak in 1793, and remained at a plateau until 1807, this was because the government flooded the country with paper debts on such a scale that treasury (*Hacienda*) reform, and indeed a more general reform of the kingdom, was desperately necessary if the state itself was not to collapse.[85] In the end, Napoleon's armies swept resistance aside and the Spanish fiscal system was subordinated to the financial and military requirements of the French Empire.[86]

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[84] Cuenca Esteban (1981), 201.

[85] Artola (1982), 458.

[86] Bonney in Bonney (1995), 359–60.

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CHAPTER 7

The Holy Roman Empire in the Middle Ages

Eberhard Isenmann

In using the term 'public finance' in reference to the Holy Roman Empire during the high and the later Middle Ages, it is necessary to appreciate the range of financial activities undertaken by the various types of authority with public functions within the Empire.[1] We need to distinguish between the different levels at which public finance could operate—the Empire itself; the secular and ecclesiastical territories; the Imperial and free cities (*Reichsstädte*, *Freie Städte*); and certain *de facto* autonomous towns, particularly in the north.[2] The political units which were legally subordinated to the Empire constituted complete fiscal systems in themselves, though at differing stages of development. They had their own chambers, treasuries and financial officials. They also undertook certain state functions and activities such as the maintenance of law and order, defence, legislation, justice and administration in matters concerning the common welfare (*bonum commune*) of the territory or the city. In the later Middle Ages, the territorial rulers and cities claimed fiscal rights and raised funds in order to perform these functions, whereas the Emperor or King of the Romans and the Empire could collect only a restricted and inadequate range of ordinary receipts and extraordinary taxes. Consequently, one confronts an apparent paradox whereby—in contrast, for example, to England and France—it was the subordinate levels of the constitutional structure, the Imperial and free cities and the territories, rather than the Empire itself, that during the Middle Ages came to conform more closely to the modern notions of the 'state' and of 'state finance'.

Equally paradoxical, however, is the fact that during the later Middle Ages it

[1] The author and the Editor thank Professor W. M. Ormrod (York) for his work on the English version of this chapter. For the purpose of clarity, the term 'Emperor' is usually preferred to that of 'King of the Romans', that is 'Emperor-designate'. [Ed.]

[2] Hüllmann (1805); Mayer (1952); Hassinger (1971); Blaschke (1978); Bulst (1987).

was the apparently archaic Holy Roman Empire which enunciated modern principles of state funding, thereby opening up a debate in which surprisingly modern techniques and principles of taxation were discussed. It was the coincidence of long-term financial and political decline with a new, severe and almost permanent military threat and an urgent demand for constitutional reform in the fifteenth century that created the context in which early modern taxation would develop. Since neither the Emperors and Kings of the Romans nor the territorial rulers had arbitrary or absolute powers to tax, the financial history of this particular period also forms part of constitutional history, and in the following analysis both subjects are treated as part of a single whole.

I

Although they lacked the modern notion of sovereignty, the larger autonomous Imperial and free cities were probably the most advanced states in medieval Germany, with their own systems of legislation and administration and their own fiscal and accounting structures.[3] In these cities, property taxes and excises on commodities, at first levied occasionally and later—under certain circumstances—annually, were the first taxes in a modern sense.[4] Originally based on the joint obligations (*Mitleiden*) of citizenship,[5] they were imposed either on the authority of the city council or sometimes with the formal consent of the community or great council. In both cases, contributions were compulsory. Such levies were usually not tied to specific purposes or needs. The liability to pay taxes was often extended to city dwellers without citizenship or with an acknowledged but minor status. These groups paid the same taxes as the burghers or, alternatively, special duties based on the protection given by the city and the special permission allowing them to live within the city (*Schirmgeld*, *Sitzgeld*). Apart from such direct and indirect taxes, the cities levied customs duties and market tolls; they also obtained revenues from the exercise of jurisdiction. Cities which had gained the prerogative and regalian rights originally belonging to their lords also made profits from minting and from ordinary and extraordinary taxes imposed on the Jews. The towns also had revenues from rents (*Gülten*), and some of the more powerful ones possessed their own domains through the acquisition of manors in the rural hinterland and the resulting formation of

[3] Stieda (1899); Mayer (1952), 267–72; Wülfing (1982); Isenmann (1988), 170–81 (survey with further literature).

[4] Heidenhain (1903); *Die Steuerbücher der Stadt Konstanz* (1958–66); Kirchgässner (1960). For further literature on urban taxation: Isenmann (1988), 203–5.

[5] Erler (1963).

urban territories. The greatest part of expenditure concerned fortifications, armaments and the costs of war.[6]

In the princely territories—whether secular or ecclesiastical—by contrast, the modern notion of taxation did not apply, since the rulers of these areas depended for their tax revenue primarily on a series of special relationships with subordinate and dependent social groupings based on principles of subjection and protection (*Schutz und Schirm, Vogtei*)[7] and of the co-operation of the territorial estates. Whereas the ruler (*Landesherr, Landesfürst*) had direct fiscal control over his own domain, the barons (*Herren*) collected taxes from their manorial subjects within their own lands. Both the subjects of the princely domain (*Hintersassen, Grundholden, Urbarsleute*) and other persons falling under the protection and dominion of the ruler were organized into administrative and fiscal units at the local level (*Ämter*) and paid taxes which, whether fixed or variable, had begun as extraordinary and later become ordinary levies. More comprehensive, new forms of territorial taxation find their origins in general subsidies (*Steuer, Bede, Schatzung, petitio, exactio*) paid in cases of urgent necessity of the entire territory or 'land', based on the duty of the estates to give the ruler aid (*auxilium*) and counsel (*consilium*).

The development of these forms of taxation depended on the creation of representative assemblies, whose consent was required before general subsidies (*Landsteuer*) could be levied from the entire territory or 'land'. The members of the estates allowed such taxes to be levied from their own immediate subjects and they often took responsibility for collection through their own officials. Although in principle the *Landsteuer* were general taxes, the nobles and the clergy sought exemption for their own lands and revenues, often successfully. (It is worth noting that in the ecclesiastical territories, the clergy were required to pay their own *subsidia caritativa*.) Such exemptions did not extend to the towns which had originally belonged to the domain and whose representatives in the assemblies of the estates had comparatively little political influence. This description of the position in the territorial states, while subject to many variations, serves to demonstrate that tax systems were not yet founded on a notion of princely sovereignty (*Landeshoheit*) over a homogeneous unit of land or people and that there was as yet no acceptance of the ruler's right to act unilaterally in imposing taxation on the 'land'. Those taxes that did exist were the result of special relationships between the territorial lord and his subjects and estates. On

[6] Koppmann (1869–94); Knipping (1897–8); Sander (1902); Harms (1909–13); Brunner (1929); Ohlau (1965); Kreil (1967); Vogelsang (1976–83); Rosen (1979); Körner (1981); Ranft (1987); Eberhardt (1996). For war finance: Rosen (1984); Fouquet (1989).

[7] Mayer (1952), 244–53; Brunner (1965), 273–303; Bosl (1994).

the other hand, the development of the *Landsteuer* itself played an important part in moulding the territories into more coherent fiscal and political units.

The contrast between the comparatively sophisticated urban fiscal systems and the relatively primitive princely ones is further emphasized by the development in the towns of a modern system of public credit based on a consolidated debt and the raising of long-term loans through the selling of bonds, set either for life term or as perpetual, but redeemable, annuities.[8] As early as the fourteenth century, such bonds had already become negotiable instruments. There was no difficulty in raising loans since the cities had a reputation for sound credit—a reputation that stood in sharp contrast to that of the rulers of most contemporary dynastic states. Furthermore, the purchase of such annuities was the only interest-yielding investment formally permitted by canon law and secular legislation. To manage the public debt and to avoid excessive burdens upon it, the cities employed a number of techniques. They converted perpetual annuities into life annuities (which had an acknowledged redemption value); they paid off perpetual annuities; and they lowered the rates of interest, thereby requiring annuitants either to increase their capital investments or to accept redemption. This credit system enabled the Imperial and free cities to defend their political independence by military force; it also enabled them to buy privileges, titles, rights, manors and lordships. They were even able to lend money to others: in the duchy of Saxony it was the cities, and particularly Leipzig, which organized credit for the princely and territorial administrations.[9] However, when the territorial rulers found their revenues inadequate to fund new programmes of military expansion and increased state activity, they generally failed to develop consolidated debts of their own to any considerable extent. Instead, they pledged lands and rights, and raised short-term loans secured by promissory instruments and often without interest, levied forced loans or secured loans from their councillors and officials.

The contrast between the degree of sophistication demonstrated by the credit structures of the cities and the relative lack of sophistication in the territorial states is echoed at least to some extent in their systems of financial administration. Although modern notions of a budget did not exist, it was undoubtedly in the cities that finance ministers were best able to gauge the level of ordinary revenues and expenditure. This, however, was perhaps more a consequence of the personal expertise of the officials than the efficiency of the accounting systems they operated, but the officials were assisted by the fact that the urban area was usually compact and clearly defined. The greater cities could appoint

[8] Knipping (1894); Kuske (1904); Landmann (1912); Albers (1930); Reincke (1953); Täuber (1968); Sprandel (1971); Fryde (1964); Fryde and Fryde (1971); Rosen (1971); Isenmann (1988), 174–6, 383–7.

[9] Puff (1911); Mayer (1952), 255–7; Fryde and Fryde (1971), 518–26.

prominent and experienced merchants to hold administrative offices, to receive and to make payments and to keep the accounts. But only a few of the urban financial administrations—such as Nuremberg and, for a time, Cologne—observed anything approximating to the modern ideal of a unified and centralized accounting system capable of co-ordinating receipts and expenditure (*fiskalische Kasseneinheit*).[10] Most of the cities based their financial administrations on the 'net principle', with only the surpluses (*Remanet, Restat*) of a diverse range of revenues being recorded at the point when they were transferred to a central treasury and logged in a central account. Others used the 'gross system', recording in separate accounts all receipts in their full amount regardless of the degree to which they had already been spent locally or been allocated for specific items of expenditure.

The financial administration of the territorial states remained relatively elementary throughout the Middle Ages.[11] There was no budget, no early written book-keeping—except in the case of the famous series of Tyrolean account books from the years 1288–1350, the *Raitbücher*—no suitable land register for taxation, no central financial board and no permanent headquarters of government.[12] The itinerant court was fed and supplied by local revenues paid in kind. Most expenditure was met by the assignment of revenues, and larger expenditure often necessitated pledging.[13] Inevitably, the development of state functions, especially in the military sphere, necessitated a more coherent financial management. From the fourteenth century, first in the western parts of Germany, revenue officers (*Rentmeister*) commissioned by the prince were appointed to audit local receipts and expenditure from the domain and regalian rights and to collect any surpluses. But these *Rentmeister* did not represent a central financial board, only an intermediate level of administration above the basic local districts. They could not take decisions independently and could not function in the same way as central accounting officials. In the territorial states, central financial management operated on the basis of the 'net principle'. The ways in which the *Rentmeister* kept the accounts were intended to reveal surpluses and in particular to emphasize the degree of control exercised over local officials. Registers at the 'central' level therefore simply recorded the receipt of such surpluses. There was no special central financial administration, for the

[10] Schönberg (1910); Pitz (1959); Feger (1964); Maschke and Sydow (1977); Isenmann (1988), 179–81.

[11] Mayer (1919–20); Mayer (1952), 262–6; Bamberger (1922–3); Droege (1966); Ziegler (1981), 52–7; Willoweit (1983), 112–14; Press (1991); Schubert (1996), 29–38.

[12] Surveys: Patze (1970); Ziegler (1981), 3–7; Willoweit (1983), 136–8. Particular studies: Dopsch (1904); Stolz (1957); Lachmann (1971–2); Sprandel (1975); Peters (1976–7); Janssen (1980); Herborn and Mattheier (1981).

[13] Bitsch (1974); Tewes (1987).

prince himself, and his council, decided financial policy. By the same token, there was little attempt, or even need, to draw up balance sheets, although officials functioning in the territories occasionally compiled estimates of total revenue (*Anschläge*) or of receipts from the subsidiary fiscal units (*Ämter, Vogteien*).

Part of the reason why the territorial princes failed to develop more advanced systems of financial management lay in the very traditional nature of their ordinary revenues.[14] They received rents (*census, Gülten*) in kind and money from their rural domains (*Kammergut*). Special receipts came from feudal fees and socages (*Fronen, Scharwerk*) and from certain comparable military services (*Reiswerk*) which were often commuted to money payments. The subjects of the domain and the towns still belonging to the domain had to pay annual taxes, which were originally extraordinary and raised only in cases of necessity, and excise taxes (*Ungeld, Akzise*), which, originating in the towns, were in some cases later extended to the whole of the territory—as in the case of Saxony and the 1488 beer excise in Brandenburg. Other ordinary revenues derived from the exercise of jurisdiction and from the exploitation of personal or usurped regalian rights: the latter category included customs duties,[15] market tolls, levies for the provision of military escorts (*salvus conductus, Geleit*), mining, minting, and the control, protection and prerogative taxation of Jews (*Judenregal*). The term 'domain' was often used in a sense that denoted the inclusion of regalian rights and profits, although the legal origins of the two were different.

From the thirteenth century, princes negotiated with their estates for extraordinary taxes (*Bede, petitio, Landsteuer, Schatzung*).[16] The estates (*Landstände*) summoned to the territorial diets (*Landtage*) could consist of barons, knights (and esquires), representatives of the towns—and, in Austria, of markets—representatives of peasants (in a few cases), and prelates. Few diets included all these groups. The balance between them varied according to local constitutional structures and the relative political power of each group. Some territories, such as the Palatinate, had only embryonic estates.[17] The grant of extraordinary taxation in the diets was sometimes marked by a special treaty (*Bedeverträge*). Taxes were usually occasioned and justified only by war or the indebtedness of the prince. The estates often collected and administered extraordinary taxes through their own officials and established special treasuries (*Landeskasse*) dis-

[14] Kotelmann (1866); Puff (1911); Cohn (1965), 75–119; Rankl (1976); Krüger (1980); Ziegler (1981); Gresky (1984).

[15] Stolz (1953, 1954, 1955).

[16] Willoweit (1983), 73–5; Below (1890, 1892, 1893); Kogler (1901); Ernst (1905); Goerlitz (1928); Brunner (1965); Helbig (1955), 388–463; Gerhard (1960); Fried (1964); Bosl (1971); Blickle (1973), 476–522; Wagner (1977); Schubert (1996), 41–9.

[17] Cohn (1965), 189; Press (1952).

tinct from those of the princes (*Kameralkasse*). These taxes were exceptional in the thirteenth century, but were imposed more often in the fourteenth and fifteenth centuries, and became a permanent feature in the sixteenth century.

Although the typology of revenues in the territorial states was uniform, the value of the different component elements varied greatly across time and space.[18] In the western territories bordering the Rhine, which tended to have relatively small domains (such as the electorate of Cologne, Jülich and the Rhine Palatinate), regalian profits were the backbone of the regular revenues in the first half of the fifteenth century, with river customs collected along the Rhine proving by far the most important: such duties represented approximately 60 per cent of all income in these cases. Other regalian rights generally contributed only 5–10 per cent, although an extraordinary levy on the Jews collected in the electorate of Cologne in 1419 yielded 25,000 florins. In these territories, revenue from the rural domain was small, yielding 2–5 per cent of income in the electorate of Cologne and 10–15 per cent in Jülich, though rising to 30 per cent in Cleves. Taxes imposed on the 'immediate subjects' of the ruler contributed up to 20 per cent of revenue in the Rhine Palatinate, and in the electorates of Mainz and Cologne, and up to 50 per cent in Jülich.

Extraordinary taxes granted by the estates were paid only under special circumstances, as in the case of earlier feudal aids: in a state of feud, on the capture of the prince in battle, the knighting of his sons and the marriage of his daughters. But from the second half of the fifteenth century such levies were authorized and collected more frequently as a result of the expansionist policies of rulers and the debts they incurred through war. The princes could no longer pay for defence and administration from their own resources or create the surpluses which they had previously been expected to build up from ordinary revenues during times of peace. Throughout the fifteenth century, the court and the central administration typically consumed up to 90 per cent of net receipts in such states. (The development of new forms of income, and of expenditure, meant that this figure dropped to 50 per cent by the end of the sixteenth century.) Since more than half of the land within a given territorial unit was normally under the direct control of those represented in the estates, the ability of the ruler to negotiate taxes on a more regular, if not annual, basis, became a crucial test of state formation. In the electorate of Cologne, where domain and regalian revenues were increasingly mortgaged, revenues in some years consisted almost entirely of general taxes granted by the estates (*landständische Steuer, Landsteuer*). As a general guide, by 1500 most of the western territories derived 20 per cent of their income from domain revenues and domain taxes,

[18] Droege (1957, 1966, 1971).

30 per cent from regalian rights and 50 per cent from taxes negotiated with the estates.

In the east, by contrast, the overall size of the territories and the greater proportion of land under the direct control of the princes meant that domain revenues were much more significant and enduring: in 1500, these stood at 50 per cent of total income in Saxony and still more in Brandenburg. In Lower Bavaria in the second half of the fifteenth century, the domain (recently reorganized and more effectively administered) was yielding 52.5 per cent and regalian rights and jurisdictional rights a further 44.8 per cent of ordinary revenues.[19] Taxes negotiated with the estates were typically levied only about once every ten years (every five years in Upper Bavaria), though when collected they yielded enormous sums: in Lower Bavaria 107,659 florins were collected in 1464, 60,886 florins in 1474, 100,260 florins in 1490, and approximately 100,000 florins in 1499–1500.[20] The revival of mining after the 1470s in the duchy of Saxony, Lower Bavaria and Tyrol led to a rapid increase in profits from regalian rights. The princes claimed a share of production (*Wechsel*) and realized further profits by buying silver at a minimum price from the mine and selling it at a higher market price, by running their own mines and metallurgical works, and by speculative transactions with mining shares. The control of mining also gave the princes the opportunity to raise loans by pledging or occasionally by alienating monopolistic supply contracts. For example, Maximilian I could not have continued his wars in Italy without raising loans on his mining rights in Tyrol.

The revenues of the duchy of Saxony offer a striking contrast with those of the western territories. At the end of the fifteenth century, domain revenues here contributed approximately 50 per cent, regalian rights 20–5 per cent and general taxes only 12–15 per cent of total revenues. By 1550, the composition and the relative importance of the sources had altered somewhat: the domain had dropped to 30 per cent, regalian rights had risen to 35 per cent (of which 25 per cent was accounted for by mining profits and 10 per cent by customs duties and levies for military escorts), while indirect taxes now contributed 30 per cent of total revenue. However, with the end of the mining boom, domain revenues once again accounted for some 50 per cent of all income.[21] As for the overall value of the territorial budgets, at the end of the fifteenth century the Venetian

[19] Ziegler (1981), 252–3.

[20] Ibid. 25–8.

[21] The central accounts of the duchy provide the following figures for total receipts/total expenditure (in florins): 1488–9: 71,872/87,495; 1489–90: 60,010/40,375; 1490–1: 84,357/74,269; 1491–2: 99,384/107,442; 1492–3: 54,144/47,970; 1493–4: 74,057/71,802; 1494–5: 63,837/53,896; 1495–6: 66,392/64,281; 1496–7: 83,602/79,254. Puff (1911), 199.

Marino Sanuto estimated the annual revenues of the electors at 60,000 florins for Mainz; 80,000 florins each for Cologne and the Rhine Palatinate; 50,000 florins for Brandenburg; and 40,000 florins each for Trier and Saxony.[22]

From the second half of the fifteenth century, the growing scale of revenue and expenditure encouraged the territorial states to undertake what had previously been so conspicuously lacking: namely, organized general surveys of their fiscal resources and effective systems of specialized management represented by a central financial board separated from the general court administration. This phenomenon was evident first in the western territories—for example, the electorate of Cologne—in the south—especially Tyrol—and in the duchy of Saxony, but during the sixteenth century it also extended to the east. Towards the end of the fifteenth century the Brandenburg councillor Ludwig von Eyb the Elder elaborated highly sophisticated instructions on how to draw up and supervise an annual budget.[23]

Experts from the cities occasionally played an important part in these newly emerging systems. The most famous example is the merchant and burgher of Leipzig, Jacob Blasbalg, who in the years 1487–90 reorganized and centralized the financial administration, treasury and accounting methods—he introduced the 'gross principle' in place of the 'net principle'—in the duchy of Saxony.[24] He activated unexploited fiscal resources, organized and strengthened public credit, managed resources and revenues according to commercial principles (especially with reference to the ducal mining rights), and increased the profits of taxation in relation to total receipts. Within a year of his appointment, he had already doubled receipts and eliminated the previous deficit. In 1495, the treasury also took on the function of a deposit bank, paying interest at 5 per cent and maintaining business connections with merchant banking houses in Augsburg, Aachen, Cologne, Nuremberg and the Netherlands. Apart from this example, the other strong impetus to the establishment of a central financial board and a more advanced system of accounting often came from the estates, which increasingly demanded that tax revenues be more effectively administered and not used (or at least used more sparingly) to cover the costs of the court and other forms of ordinary expenditure.

[22] Ibid. Compare the estimates made by Vincenzo Quirini in 1507 (expressed in florins): Cologne: 100,000; Rhine Palatinate: 50,000; Brandenburg: 40,000; Tyrol and Austria: 250,000–300,000; Württemberg: 50,000; Ansbach-Bayreuth: 30,000; duchy of Saxony: 40,000; Bavaria (all branches): 100,000. Ziegler (1981), 264. The *Descriptio Theutonica* of the late 13th cent. gives the following estimates in marks of silver: Cologne: 50,000; Rhine Palatinate and Bavaria: 20,000 each; Mainz: 7,000; Trier: 3,000. Schubert (1979), 187.

[23] Edited in Wagner (1885); Isenmann in Bonney (1995), 39–41.

[24] Puff (1911).

II

The regular revenues of the Emperor were similar in composition to those of the princes, with the important exception that by *c.*1440 the crown had alienated most of its domainal income and was barely able to manage its remaining regalian rights profitably.[25] Two centuries later, at the diet of Regensburg in 1653–4, the Austrian ambassador explained the necessity for imperial taxes by stating that the Emperor no longer had the *bona imperii* in his hands intended for undertaking the responsibilities of imperial government. This was nothing new. In *c.*1450 several commentators—Aeneas Silvius (Imperial ambassador to the diet of Regensburg in 1454), Archbishop Jakob of Trier and the Emperor Frederick III—were already drawing similar conclusions. The Emperor received almost no revenues from the Empire with which to run his government—he did not receive enough to pay his ambassadors (as Aeneas Silvius and, twenty years later, the Papal secretary Agostino Patrizi put it), and certainly not enough to protect threatened cities against their enemies (as an Imperial councillor told an urban ambassador in 1460).[26]

These statements were scarcely exaggerated. The Imperial domain (*Reichsgut, Reichskammergut, Reichsland*) had been gradually dismembered by the creation of fiefs, donations and usurpation during the Interregnum of 1254–73, and by the development of pledging in the fourteenth and first half of the fifteenth centuries. The royal domain was a combination of the Carolingian *Reichsgut* and the king's own dynastic hereditary lands (*Königsgut, Hausgut*). The *Hausgut* of the Saxon dynasty was taken over by the Salian family and passed by inheritance to the Staufen. After the end of the Staufen dynasty, this *Hausgut* became assimilated into the *Reichsgut* which was thereafter clearly separated from the king's personal hereditary territory. Despite heavy losses, the *Reichsgut* was still of considerable size and importance at the end of the Interregnum. The rural parts were widely dispersed but there were certain particular concentrations of Imperial lands, for example in Lower Swabia, in Alsace and in areas around the middle Rhine and the Neckar. Between the reigns of Rudolf of Habsburg (1273–91) and Frederick III (1440–93), efforts were made to reclaim parts of the usurped *Reichsgut*; but overall these failed.[27]

From the domain, the king and his court received payments in kind and (from the thirteenth century) in money, as well as taxes in cases of necessity. Special royal estates—the *Tafelgüter* (*curiae mensae*)—on the northern side of the Alps

[25] Gradenwitz (1908); Nuglisch (1899, 1901); Schmidt (1912); Sehring (1916); Schubert (1979), 147–89; Isenmann (1980); Wild (1984).

[26] Isenmann (1980), 75, 143, 218.

[27] Schubert (1979), 151–71; Colberg (1966).

and in Lombardy had to render *servitium regis*, supplying the court during royal visits with a fixed quantity of natural products.[28] From the reign of Henry II (1002–24), various bishops and monasteries were also required to provide *servitia* in the form of duties—mostly paid in money from the twelfth century—and entertainment (*Bewirtung*). After 1200, royal cities also had to render hospitality (*Königsgastung*), but shook off this duty during and after the period of the Interregnum. Indeed, the old system of services collapsed in the thirteenth century and the king was forced to maintain his court from his general revenues. Until the end of the Staufen dynasty, the counts, bishops and cities in the Italian parts of the Empire were also required to offer a *fodrum*—an offering in kind comparable to the German *servitium*—on the occasion of a royal visit, but as early as the eleventh century, and increasingly in the twelfth century, this was commuted to a money payment and assumed the form of a tax. Despite increasing urbanization and expanding commerce and trade, the king at the beginning of the fourteenth century was still receiving payments in kind.

Kings had little detailed knowledge of the extent of their fiscal rights because there was no general register of the *bona imperii*. However, eight very specialized local registers dating from the period 1138–1254 and from the end of the thirteenth century have survived, including the *Tafelgüterverzeichnis*, a tax list of 1241, and the Nuremberg *Reichssalbüchlein*. In 1435, the Archchamberlain Konrad von Weinsberg[29] made efforts to compile an inventory of alienated fiefs and pledges in the Upper Rhine region, and contemporaries such as Dietrich von Nieheim, or the author of the *Reformatio Sigismundi*, demanded a general inventory of the *Reichsgut* in order to reclaim the alienated parts. Moreover, Konrad von Weinsberg had a list drawn up of disposable and pledged ordinary urban taxes.

The fifteenth century—and especially the period *c.*1450—marked a sea change in attitudes to the way in which Imperial government should be supported and exercised. The royal court and government in the Middle Ages rested on two pillars: revenues and services from the *Reichsgut*, from jurisdiction and from the fiscal exploitation of regalian rights; and feudal services connected with war, jurisdiction and counsel. From the time of Frederick I (1152–90), however, the ruler evidently had to bargain with the princes in order to gain political and military assistance.[30] The central feature of German fiscal history was that once the king lost both his domain and, increasingly, his feudal rights during the later Middle Ages, he found no way of compensating adequately for this loss through the development of new forms of revenue from the Empire. Both politics and government were affected. Since the king now depended largely on revenues from his own dynastic territories, and mainly from his own domain, the removal

[28] Niese (1905); Metz (1964, 1971, 1978); Brühl (1968); Haverkamp (1968, 1970).
[29] Karasek (1967). [30] Rauch (1966).

of the court from these peripheral regions to the centre of the Empire became a financial burden. The ruler tended to keep aloof, increasingly ruling by delegation and correspondence. This created a crisis of authority in a period when kings were still expected to rule personally in the different regions and localities of the Empire.

In the later Middle Ages—that is, after 1250—feudalism was superseded by the practice of pledging.[31] Indeed, so distinct and important was this phenomenon that the period might almost be described as an 'era of pledging'.[32] In order to recruit political followers and obtain military support, kings now sought formally to purchase and reward service by pledging parts of the *bona imperii* and *Reichsgut*, Imperial cities and their tax receipts, various urban offices and all kinds of rights that yielded revenues. The pledge contract stipulated the 'debt', or payment for service, as a specified sum of money. The king could increase the sum of the pledge (*Pfandschilling*) on a later occasion to reflect further services rendered; he could even bestow expectancies and transfer the right to redeem a pledge and obtain possession of the pledge by redemption. In most cases, however, the pledge transaction did not guarantee the full payment of the debt so much as a type of payment at a time when a chronic lack of ready money prevented payment in cash. Pledging demonstrates that, despite the continued existence of feudal obligations, service to the king and Empire was now secured, and judged, in purely financial terms, and according to a scale which was often distinctly artificial. Only in a few cases, usually in transactions with cities, was the pledging of offices and rights used as a means of raising cash. Between 1300 and 1500, Emperors or Kings of the Romans entered into approximately 1,100 pledge contracts. Only 5 per cent of the total was pledged during the Staufen regime and the Interregnum. In contrast, 70 per cent was pledged in the fourteenth century, when Charles IV (1346–78) alone contracted nearly a third of all the pledges in the Middle Ages.[33] Whereas Charles IV considerably reduced the territorial basis of the Empire, he strictly avoided pledging his own hereditary territory. The nominal value of the urban and rural pledges contracted by Sigismund (1410–37) in the early fifteenth century is estimated at approximately 390,000 florins.[34] The *Reichsgut*, which had been intended to provide the very basis of royal government, had thus degenerated into a rapidly dwindling set of fiscal assets.

The great disadvantage of the usual form of pledge contracts—*Substanzpfand* as distinct from *Totsatzung*—was that the annual revenues from the pledge did

[31] Bender (1967); Landwehr (1967, 1970); Krause (1970); Schubert (1979), 151–66; Isenmann (1980), 10–15.

[32] Krause (1970), 532.

[33] Landwehr (1967), 39; Landwehr (1970), 98.

[34] Nuglisch (1899), 164.

not in themselves redeem the debt, and in practice the king was deprived of the profits of Imperial property. Since the late medieval kings existed in a permanent state of insolvency, they were unable to recover pledges, with the result that Imperial lands and rights were permanently alienated. By *c.*1440 there was simply nothing left to pledge. Already, by the beginning of the fifteenth century, the Emperor or King of the Romans had lost virtually all his rural domain and domain revenues; what little remained was probably yielding a mere 200 florins a year under Rupert of the Rhine (1400–10).[35] Furthermore, the regalian rights such as customs,[36] minting and mining, which became an important source of revenue in some princely territories, were now, like the *Judenregal*, almost completely in the hands of the princes and cities. Frederick III created several new customs duties and market tolls as special privileges for princes and cities, claiming a share of the profits for himself, but this was a very poor expedient in the face of such massive capital losses.

In the end, the only ordinary annual revenues left to the king were the taxes on the Imperial cities and the levies on the Jews—in the latter case, royal taxes and, in the Imperial cities, a half of the urban Jewish taxes. The free cities—former episcopal cities which had freed themselves from the control of their bishops and were immediately subject to the Empire—did not pay ordinary taxes, because the king was not strictly speaking their lord. The annual urban taxes (*steura imperialis ordinaria*) were levied as lump sums from the communities and became fixed quotas in the fourteenth century, with the result that the king could not benefit from the growth of urban production and trade. Although Rudolf of Habsburg raised these taxes by 30 per cent, he failed to impose general direct property taxes on the burghers. A few urban taxes were also increased by Louis of Bavaria (1314–47) and Charles IV.[37]

In addition to a list of urban and Jewish taxes of 1241, two lists of annual urban taxes survive, one from *c.*1404, the other from 1418.[38] The 1404 list shows that the king was entitled to annual taxes from fifty-one cities and duties from a few urban offices; but the king could actually only claim 42 per cent of the total, as the greatest part of the taxes and office duties was assigned or pledged to royal officers, princes, nobles and to city corporations themselves. Some cities had tax exemptions for six or ten years. According to the list of 1418, on which a commentary was written by the Imperial Archchamberlain, Konrad von Weinsberg, taxes and duties were payable by a total of forty-nine cities; but only the tax of one city—Rothenburg—remained at the king's disposal and this

[35] Schmidt (1912), 23.
[36] Troe (1937); Stolz (1954); Isenmann (1980), 37–9; Wild (1984), 120–4.
[37] Schubert (1979), 151–76; Isenmann (1980), 15–24; Wild (1984), 80–94.
[38] Zeumer (1913), 230–1 (nos. 156a–c).

amounted to a mere 400 florins. All other titles were assigned, pledged or made over by other legal transactions as annuities. In calculating the value of a pledge, the annual tax in the fourteenth century was multiplied by a coefficient of 10, later rising to 20, so that the pledge represented a capital bearing 10 per cent (and later 5 per cent) interest. The king lost the annual tax revenues, which represented interest payments on the pledge, and he usually had to redeem the entire sum pledged in order to refund the capital. In other cases, the king paid for special services or duties performed by officials by means of the assignment of urban taxes. The situation was similar with regard to the annual taxes on the Jews. In the first forty years of the fifteenth century the ordinary revenues from the Jews are roughly calculated at an average of 740–820 florins per annum.[39] They had been reduced almost to nothing by the time that Maximilian I (1486/93–1519) allowed many Imperial cities to expel their Jews, using his share of the profits to fund his war in Italy at the end of the fifteenth century. The cities usually had to redeem the Jewish taxes, and the king himself came into the possession of the Jews' lands and buildings.

When the king and his court visited a city, the city council, and the Jewish community, showed deference by offering a gratuity—usually of around 1,000 florins in a golden cup in the case of great cities—and other payments in kind.[40] Sometimes they offered extraordinary gratuities of hundreds or thousands of florins. Important councillors and courtiers received smaller sums in gratuities and gifts in kind. These gratuities to honour the king (*Ehrungen*) may be considered as a commutation of the former duty to quarter the travelling king and his court (*Gastung*); the difference was that the king no longer had the right to demand such gifts. It is estimated that in the first half of the fifteenth century, the itinerant royal court incurred expenditure averaging a little more than 3,000 florins a month, so that the cities' gratuities and gifts can hardly have covered all the expenses incurred.[41] Even so, Louis of Bavaria managed to secure extraordinary subsidies from the cities in 1330 for the expenses of his diets (*Hoftage*).[42]

Now and then the city communities granted loans of a few thousand florins requested by the king, occasionally in the form of prepayments of annual taxes. On other occasions, however, they refused—as in the case of Strasbourg, which failed to respond to Maximilian I's request for a war loan of 20,000 florins to be paid back with interest at 5 per cent. In the fourteenth and fifteenth centuries, the wealthy urban merchant bankers (*Geldkaufleute*), Hanseatic merchants and particularly families and merchant houses from Nuremberg and, later, from Augsburg, were more important as sources of loans.[43] The merchants expected

[39] Schmidt (1912), 93; Nuglisch (1899), 157.
[40] Schubert (1979), 180–2; Isenmann (1980), 24–5.
[41] Isenmann (1980), 74 n. 323.
[42] Schubert (1979), 174.
[43] Moraw (1969, 1975); Stromer (1970); Zorn (1965).

to realize profits by supplying the court with commodities and by credit transactions; they also sought commercial privileges and exemptions from customs and tolls. Since the risks of lending to the crown were high, they strove for security through pledges—titles to revenues, offices and seigneurial rights, other valuables, jewels and even the king's crown. In 1401–2, when Rupert's expedition to subdue Milan failed miserably, some of the German banking houses, and particularly in Nuremberg, suffered heavy losses because they had granted loans to the king and had discounted bills of exchange of 200,000 florins promised as subsidies by the Florentines.[44] Not all loans came from mercantile sources. Rupert of the Rhine raised loans to the value of approximately half a million florins, about twice the value of his Imperial revenues, and roughly equivalent to his revenues from his own territory. In this case, bourgeois moneylenders granted only one-fifth of the total, though half of this share—about 50,000 florins—came from merchants and financiers of Nuremberg. The greatest sum came from noblemen closely connected with Rupert. On the whole, however, bourgeois merchants were generally the most important source of loans for late medieval kings.

The Imperial cities had to pay regular annual taxes, but the king also demanded extraordinary taxes based on the principle of necessity.[45] Rudolf of Habsburg first levied extraordinary taxes (*contribuciones*) in 1274, repeating the practice in 1276, 1279 (a levy of 12 per cent on the capital assets of merchants), 1284 and 1290. In 1373, Charles IV levied 200,000 florins in fines on the Swabian Imperial cities for their alleged failure to assist him militarily in the acquisition of the margravate of Brandenburg from the Wittelsbach dynasty. The Imperial cities of Franconia and Alsace were charged fines on the same occasion. The highest quotas fell on Ulm (40,000 florins), Augsburg (36,000 florins) and Nuremberg (20,000 florins). On other occasions, the Swabian cities offered military resistance against the imposition of extraordinary taxes. After his disaster in Italy, Rupert demanded 40,000 florins from the Imperial cities in 1402, but failed to obtain even half this sum. In 1404, he demanded a further 150,000 florins, but received only small sums, again encountering stiff opposition from the Swabian cities. Later on, these extraordinary payments together with the military service owed by the Imperial cities became integrated into the repartition taxes imposed on the Imperial estates and cities (*Reichsmatrikel*).

In view of the minimal value of ordinary receipts, it was imperative that the king maximize the yield from his 'extraordinary' revenues—meaning, in this context, occasional and accidental revenues. Such a policy bore chiefly on the Imperial cities and the Jews. Opportunities to extend casual revenues arose

[44] Stromer (1971). [45] Schubert (1979), 174–6.

when privileges were confirmed at royal and Imperial coronations and when new privileges were requested.[46] In these circumstances, the king charged a price according to the importance and value of the privilege (sums were often set at several thousand florins), while the Imperial Chancellor and chancery also claimed fees for themselves. As part of the same search for profits, the chancery and the supreme royal court (*Hofgericht, Kammergericht*) were leased to the Chancellor for an annual rent of 10,000 florins for several years during the reigns of Sigismund and Frederick III. In these transactions at least Frederick III gained some advantage, since two Chancellors who contracted leases on these revenues experienced enormous losses in so doing.[47]

A second important area of fiscal exploitation was the operation of justice.[48] The infringement of royal privileges and liberties incurred high fines. Monetary penalties had to be shared equally between the aggrieved possessor of the privilege and the royal chamber. A special officer, the *procurator fiscalis*, systematically prosecuted infringements of Imperial and feudal law, the public peace and failure to execute royal commands. 'Penal fiscalism' yielded huge sums compared to ordinary revenues, but the figures appear less impressive if spread over several years. The city of Lüneburg had to pay 20,000 florins in 1457, while in 1456 Augsburg paid 12,000 florins for illegally expelling Jews. Sigismund obtained a total of 44,000 florins from the city of Constance for other offences against Jews in 1430. Further examples of large fines are provided by the cities of Cologne (11,000 florins in 1396), Rothenburg (7,000 florins in 1403) and Aachen (8,000 florins in 1407). Feudal fiscalism also yielded erratic sums.[49] From the twelfth century, only the son of a deceased vassal had an uncontested title to be invested with the fief; other heirs or new dynasties had to pay the *Lehnware* (*laudemium*) as a sign of the exercise of royal grace. There were no fixed rates for these payments, which were settled through bargaining. Sigismund is known to have received at least 65,680 florins from such sources. Subsidies from the clergy, granted to the king by the Pope, were an erratic source of revenue. The last king to obtain a significant sum from this source was Sigismund, who received 170,000 florins from the clergy in 1418.[50]

The groups which suffered the greatest fiscal pressure—indeed, a formal fiscal serfdom—were the urban Jewish communities.[51] The Emperor defined the Jews as his *servi camerae*: he exercised a regalian right over their persons, wealth and

[46] Isenmann (1980), 45–55; Wild (1984), 103–8. [47] Isenmann (1980), 56–61.

[48] Schubert (1979), 184–6; Isenmann (1980), 62–9; Wild (1984), 108–12.

[49] Isenmann (1980), 40–5; Wild (1984), 113–19.

[50] Hennig (1909); Isenmann (1980), 70.

[51] Kerler (1899); Rösel (1909–10); Schumm (1970); *Germania Judaica*, ed. M. Brann et al. (1963, 1968, 1987); Isenmann (1980), 25–36; Wenninger (1981); Heinig (1983), 81–101; Wild (1984), 95–102; Battenberg (1990), 144–50.

property (*Judenregal*) in just the same way that he controlled mines and mints. In certain cases, control of the Jews was alienated from the Emperor. The seven electors (*Kurfürsten*) held the right of *Judenregal* under the terms of the Golden Bull of 1356, while other princes and cities received the right as a mark of royal favour. Some cities had also bought the *Judenregal* from the king or their territorial rulers. In many cases, the Jews had to pay annual and extraordinary taxes to the territorial ruler, city council, and to king and Empire. The excessive taxation of the Jews was almost inevitable, since they had no political rights and were extremely vulnerable to threats: they could be made to pay heavily for the promise of protection from public authorities. Furthermore, the Jews kept most of their property in cash or promissory notes, which could be assessed without great technical difficulties. In view of the high interest rates they charged, the Jews' capital appeared to provide an inexhaustible source of tax revenue.

The first public ordinary poll tax (*capitatio*) ever imposed was established in 1342 by Emperor Louis of Bavaria in order to levy a new tax on the Jews. This annual tax was called the 'golden penny' (*guldin pfennig*); it amounted to 1 florin per head and had to be paid by all Jews—including widows—over the age of twelve and with property valued in excess of 20 florins. King Wenceslas levied the golden penny without any taxable minimum, though Sigismund later provided that Jews who lived on alms should be exempt. Sigismund was also responsible for the establishment of an extraordinary property tax, the 'third penny' (*Dritter Pfennig*), representing a levy of a third on the value of Jewish property.

Since the new contribution was demanded in connection with Sigismund's attempt to be crowned Emperor, it was presented as a coronation tax and declared to be a traditional right—in reality, it was an innovation probably thought up by the Archchamberlain Konrad von Weinsberg. Thereafter, the contribution was levied for both royal and Imperial coronations: the high cost of the latter explains why in 1433–4 the tax collectors were instructed to demand a half instead of a third of Jewish property, though they were also empowered to reduce the demand to the third or fourth penny or to accept compositions. The coronation duty of 1433–4, falsely asserted by the king to have been organized in agreement with the princes, barons and cities, yielded a gross revenue of about 50,000 florins and net receipts of perhaps a little less than 40,000 florins. In 1415, Sigismund had also proposed an ordinary property tax of 10 per cent, and in 1418 he had levied an extraordinary contribution (*Bullengeld*) on the Jewish communities in block quotas as remuneration for the efforts he had made to obtain confirmation of Jewish privileges from Pope Martin V. The tax demands on the Jews were pitched unrealistically high as a bargaining counter: kings usually only obtained a fraction of what was originally demanded. Some attempts at levying

taxes failed completely. In their efforts to collect contributions, royal commissioners often resorted to drastic measures, imprisoning all the Jews in order that they should not leave the city or conceal the true extent and value of their property. But royal taxation also provoked resistance from those princes and cities which held the right of *Judenregal* or held the Jews in pledge and wanted to make use of Jewish property for their own purposes.

The annulment of debts carried out by King Wenceslas in 1385 and 1390 was a special form of confiscation of Jewish property.[52] The first annulment, based on an agreement between the king and the cities of the Swabian League (*Städtebund*), obliged the cities—which made most of the profit from this arrangement—to deliver 40,000 florins to the king. The outstanding Jewish loans, both capital and interest, were consolidated and reduced by a quarter. The cities which were empowered to call in these (reduced) Jewish loans from princes and nobles deducted a high sum from the claims so that very little was repaid to the Jewish creditors. The second annulment in 1390, which affected the whole of the Empire, liquidated the Jewish claims totally. Debtors who had been freed from their obligations were nevertheless required to pay a sum to the king for their release from debt.

Various attempts have been made to calculate the income of the late medieval Emperors and Kings of the Romans. Charles IV (1346–78) seems to have received 164,000 florins per annum, of which 130,000 florins represented revenue from the German parts of the Empire.[53] Under Rupert of the Rhine (1400–10), the German contribution has been estimated at only 17,500 florins.[54] Sigismund (1410–37) stated two years after the death of Rupert that Imperial revenues in Germany were so reduced that his accountants estimated them at only 13,000 florins per annum.[55] Sigismund once commented that he held nothing but the Imperial cities—the princes controlled the rest of the Empire. Some of these estimates, especially those for the reign of Charles IV, are based on faulty data and false assumptions. Nevertheless, it is clear that there was a continuous decline in ordinary income. Sigismund was the last king who was able to pledge cities, urban taxes and regalian rights; he left almost nothing that could be pledged. Under Frederick III, ordinary revenues stood at perhaps 2,000–5,000 florins per annum—excluding rents from the Roman chancery and the *Kammergericht*—and parts even of this small sum were assigned to creditors.[56] Sigismund was also the last ruler able to collect large extraordinary revenues: in 1433–4, he received some 150,000 florins towards the costs of his Imperial

[52] Wenninger (1981), 38–52; Süssmann (1907), 32–86; Stromer (1970), 155–77.
[53] Nuglisch (1899), 115.
[54] Schmidt (1912), 100.
[55] *Deutsche Reichstagsakten*, ed. Kerler (1877), nos. 125, 181.
[56] Isenmann (1980), 18–76.

coronation.[57] The paralysis in the Emperor's financial management becomes clear when one compares these figures with the estimates of the annual ordinary revenues of some of the princely rulers in the fifteenth century, which regularly exceeded 30,000 florins, and in some cases exceeded 100,000 florins.[58] Considering that by the end of the fifteenth century the equivalent revenues of some of the main states and powers of Europe—England, France, Burgundy, Castile, the Papacy, Venice and Milan—stood at between 300,000 and 900,000 florins per annum (over 1 million florins in the case of Venice), the poverty of the Empire—and indeed of all but a few of the princely territories in Germany—comes into even sharper focus.[59]

The Emperor's deplorable financial situation around the mid-fifteenth century had important political and organizational implications. In the absence of an Imperial domain, the ruler was forced to rely on his own hereditary lands in Austria, at the very periphery of the Empire. Between 1445 and 1470, Frederick III and his court never once left his Austrian lands to visit other parts of the Empire. The Imperial administration also withered. The fisc existed as a legal institution, but as Aeneas Silvius noted, in no respect could it produce sufficient revenue to bear the expenses of the royal government.[60] Consequently, the Imperial administration underwent a kind of creeping privatization. The Archchamberlain Konrad von Weinsberg took up the lease of the financial administration for Sigismund and Albert II in return for 1,500 florins per annum. In the periods when they were leased out, the Roman chancery and the *Kammergericht* formed quasi-independent institutions with their own systems of financial management. In the same context, the Imperial cities sometimes carried out postal services for, and bank transfers to, the Imperial court. The crown lacked both a militia and a standing army, and was therefore dependent on the princes, nobles and cities for assistance in providing force against peace-breakers and rebels. The diminutive

[57] This figure is reached by extrapolation from known real receipts and consists of the coronation duty of the Jews (*c.*40,000 florins), gratuities from imperial cities (*c.*5,000 florins), confirmation of urban privileges (15,000 florins), extraordinary and accidental receipts (46,744 florins) and gifts from Venice (*c.*24,000 florins). *Deutsche Reichstagsakten*, ed. Beckmann (1898), xli.

[58] Thus Tyrol (1482): 117,009 florins (calculated); Austria, excluding Tyrol (1438): 89,729 florins and (1521) 191,680 florins (estimated); the Rhine Palatinate (before 1503): 80,000–100,000 florins (estimated); Lower Bavaria: 64,580 florins (calculated average); Nuremberg (1493): 51,062 florins (calculated); electorate of Cologne (1421): 48,986 florins (calculated); Württemberg (1483): 44,339 florins and (1485) 48,451 florins (calculated); Ansbach–Bayreuth (1467–83): 40,000 florins (estimated); the duchy of Saxony (1488–97): 39,471 florins (average); Bohemia (1471): 36,345 florins (estimated); Brandenburg (1485): 33,334 florins (estimated); Upper Bavaria (1501–06): 30,671 florins (average); Hamburg (1461–96): 16,663 florins (average); Vienna (1470–9): 15,944 florins (average); Munich (1471–80): 15,822 florins and (1491–1500) 19,233 florins (both averages); and the Upper Palatinate (Kuroberpfalz, 1429): 6,910 florins. Ziegler (1981), 264.

[59] Ibid. [60] Isenmann (1980), 144.

scale of the royal finances logically rendered unnecessary any extension of financial administration. Certain items of Imperial expenditure were noted by contemporaries and given an exaggerated fiscal and political importance: this was particularly true of movements of the royal court (when it left Austria) and the various embassies sent to German estates and cities, the diets, the Papacy and foreign courts. It is hardly surprising, then, that some should have seen the answer to the Imperial financial and governmental crisis in the collapse of the monarchy itself. The Empire, after all, was a confederation of powers with the capacity for fulfilling some of the functions of the 'state'. Princes, nobles and cities made efforts to maintain peace and security without the help of the Imperial authority by multilateral agreements and leagues which obliged them to mutual assistance and arbitration in cases of conflict. In *c.*1460, the famous lawyer Dr Martin Mair therefore argued that the Empire could become a self-regulating body politic, in which case the king would simply become obsolete.[61]

Such views did not of course accord with the Emperor's own perspective. Because of their political and financial reliance on their own hereditary lands, the late medieval Emperors and Kings of the Romans tended to use their royal authority as a means of strengthening their own dynasties and territorial possessions—in other words, taking more care of princely than of Imperial concerns. German historiography calls this the 'dynastic power policy' (*Hausmachtpolitik*). It was by no means uniformly or absolutely successful. Rupert was unable to build up his small dynastic territories in the Rhine Palatinate; in fact, he wasted his territorial resources by pledging and selling them in support of his royal obligations. On the other hand, throughout the last three decades of the fifteenth century the estates and Imperial cities were permanently called upon to defend the Habsburg territories in the south-east against invasions by the Turks and by King Matthias of Hungary, and in the west against the threats of the king of France. In the process, the estates learned to distinguish between the Emperor's own territories and the Empire, thus opening up an important political debate on the reasons and justification for his military and financial demands. For *Hausmachtpolitik* to succeed, it was therefore necessary for the Emperor to argue that the interests and needs of his territories coincided with those of the Empire.

III

The most urgent political and social problem of the fifteenth century was how to pacify the Empire, that is, to stop the self-destructive tendencies of princes,

[61] Isenmann (1980), 142.

nobles and cities whose ruinous expenditure on defence and war would otherwise lead to internal decline and lay Germany open to invasion by aggressive foreign powers. Fundamental reforms of the Empire were under constant discussion from 1434 to 1555. The debate produced important proposals for the modernization of older institutions and the creation of new ones in the attempt to transform the archaic institutions of the medieval Empire into a state. But such reforms required money. The coincidence of this debate with the final collapse of the royal domain inevitably encouraged discussion of the modern idea of financing the state by general taxes. Already, from 1422, there had been considerable debate surrounding the obligation to subsidize military undertakings necessitated by political challenges, by threats which were interpreted as challenges to the whole of Christian society (such as from the Hussites and Turks) and by the outbreak of wars with foreign powers (such as Hungary, Burgundy and France). It was in this particular context of extraordinary taxes tied to specific circumstances that we can first see the enunciation of modern principles that would lead to more general forms of taxation for the maintenance of the Empire.

According to most contemporary commentators, the principal agencies of the state requiring subsidies were a small army (for carrying out Imperial policy), the *status imperialis* (the royal household and court) and the supreme court.[62] Nicholas of Cusa suggested in his *Concordantia Catholica* (1433) that the princes should transfer into the *publicum aerarium imperii* both a share of their customs revenues—which themselves had originated as Imperial levies—*pro re publica* and other kinds of contributions from their territories *pro statu imperii*. Cusa's scheme rested on the idea that the centralization of military and judicial functions under Imperial control would relieve the princes of certain onerous obligations: in other words, that they would see a return—an 'equivalence'—for their subsidies to the Empire. The justification of contributions, taxes and subsidies in terms of reciprocity was an important advance in fiscal theory. The archbishop of Trier argued from the same principle around 1452–3 in a further scheme for the reorganization of Imperial government.

The proposed reform of the supreme court is particularly interesting in that it reveals a significant change in attitudes towards the fiscal dimensions of royal justice. Whereas a medieval ruler regarded his court of law as a source of feudal and fiscal profit, the reformers viewed judicial administration in terms of the provision of a salaried and expert staff—that is, as an agency requiring financial support by the state. The later idea that justice should be free of charge had similar implications. In 1442, a canon of Magdeburg, Dr Heinrich Toke,

[62] Ibid. 131–54; Wild (1984), 168–76; Schmid (1989), 57–64.

suggested a general and annual poll tax of a sixth of a florin—perhaps even a property tax—levied from those with property valued over 1,000 florins in order to subsidize a reformed supreme court and the Imperial government. To provide salaries for the officials of a reformed supreme court, Konrad von Weinsberg suggested an increase in the taxes levied on the Jews. Although the 'common penny' of 1495 was a war tax, a portion of the proceeds was indeed assigned to subsidize the reformed *Kammergericht*, and in 1548 a specific repartition tax (*Kammerzieler*) was introduced for the same purpose and became the only regular annual tax of the Empire.

More comprehensive reform proposals, such as the memorandum of the Archbishop of Trier in *c.*1453 and the 'advice' (*Ratschlag*) of the electors in *c.*1455 explicitly admitted that, in view of the tiny revenues he received from the Empire, the Emperor could not be expected to finance the reform, the *status imperialis*, the Imperial government, or indeed any part of the new order. The archbishop suggested that a property tax should be collected for some years, while the 'advice' of the electors preferred the idea of calculating the scale of the financial requirement and then levying a repartition tax on the estates and the Imperial cities. The most detailed and wide-ranging of the financial proposals produced in this period, however, were those drawn up by Dr Martin Mair in 1463–4 and 1470–1. Mair demonstrated clearly that the Emperor was not obliged in law to finance defence and the administration of justice from his own hereditary lands. In 1463–4, he suggested that the financial problems of the Empire could be solved in two ways—by reactivating the king's original regalian rights over markets and mints and by imposing various taxes. The Emperor should establish import duties on the urban markets and realize profits from minting by producing gold and silver coins by means of thirty to forty mints, and ensuring the circulation of the new coin. With regard to taxes, Mair proposed a general annual poll tax of 1 Bohemian penny (*Groschen*) on all inhabitants and subjects of the Empire over the age of fourteen. The Emperor should also tax ecclesiastical property specifically for the maintenance of internal peace. The third form of tax proposed by Mair was a high poll tax of 2 florins on the Jews. In order to ensure the co-operation of the territorial princes, it was suggested that they should obtain a share of the new regalian revenues and the poll tax.

Mair's first proposal was certainly discussed by the Imperial administration, but ended in a political impasse. In 1470–1, Mair again suggested a tax, but this time only on the Imperial and free cities and on the income of the monasteries immediately subject to the Empire. He also suggested, assuming Papal consent, that a single tax of 10 or 5 per cent should be levied on ecclesiastical income, though the revenues of the prince-bishops should be exempted. In the secular sphere, then, Mair's revised scheme avoided taxes on territorial subjects. An

important new idea was that the Emperor should not spend all the tax returns, but should invest part of them in redeeming pledged revenues and rights and in buying new titles. By such means, the Emperor would acquire new sources of ordinary revenues through which he might support his *status imperialis* and finance the Imperial government and administration of justice. In 1471, Mair also suggested annual taxes on the Jews and the Imperial cities, together with a single income tax of 10 per cent on ecclesiastical revenues. In the end none of these ideas were put into practice.

IV

Yet there were some modest practical successes during the fifteenth century. The most urgent problem facing the Imperial diets was to secure extraordinary taxation in order to finance war.[63] To understand the origins and development of such taxation, two different types of warfare must be precisely distinguished—wars against enemies of the Christian faith, and wars against other European powers. National war financing really grew out of the first type of warfare. It began with the wars against the heretical Bohemian Hussites who became a serious, indeed almost nationwide, menace as a result of their military successes in the years 1420–34. The second crucial stage in the development of Christian warfare, with far-reaching consequences for the next centuries, was the conquest of Constantinople by Mehmed II in May 1453, followed by the Ottoman conquest and advance in south-eastern Europe and periodic invasions of the Austrian lands after the later 1460s. Both the wars against the Hussites and those against the Turks were at the outset international affairs, European crusades. In time, however, both turned into forms of national defensive warfare. The Christian character of these wars was decisive in creating the motivation and justification for general and direct taxes in the Empire.

The first contribution for the Hussite war, levied in 1422, was also the first extraordinary repartition tax (*Matrikularumlage*) to be imposed on ecclesiastical and secular princes, prelates, counts, barons and cities subject to the Empire. It was assessed not in money but in small military units of lances (*Gleven*) recorded as individual quotas in an official register (*Anschlag*, later called the *Matrikel*). Subsequently, the registers expressed the quotas in fixed military units or in money. In 1427, however, the idea of a repartition tax was set aside when the first extraordinary general and direct tax (*Quotitätssteuer*) was imposed. According to the feudal conventions that underpinned the constitutional structure of the

[63] Sieber (1910); Isenmann (1979), 62–141; Isenmann (1980), 154–94; Isenmann (1989), 163–7, 214–16, 218–27; Rowan (1981), 203–17; Moraw (1983), 57–8; Moraw (1986), 130–42; Wild (1984), 128–91; Schmid (1989).

Empire, a repartition tax was the only just form of taxation since it was only within the estates and cities of the Empire that the Emperor was the overlord and had immediate jurisdiction. He could not directly assess and tax the subjects of the princes and the cities, whose rulers were obviously unlikely to allow precedents for such action. In the case of wars against heretics and infidels, however, personal liabilities did not depend primarily on secular constitutional conditions, since—as was explicitly stated in 1471—every Christian, young or old, rich or poor, was obliged by his baptismal vows to act in proportion to his property for the protection and defence of the Christian faith, the Church and Christendom. This notion of individual Christian liability made possible the imposition of a general and direct poll tax, a personal tax or a proportional property tax. A further feature of the funding of religious wars was that a Papal legate took part in the Imperial diets, thereby establishing forms and techniques of ecclesiastical taxation which in turn probably had some impact on Imperial tax laws.

The general tax of 1427 was largely a failure. Bavaria, for instance, collected the tax but did not transfer it to the Imperial treasury. Another proposal for a general direct tax on the laity framed at the diet of Basle in 1434 did not come to fruition; urban ambassadors at the diet suspected that the tax would set a precedent and feared that it would grow into a custom to be collected in future for very diverse purposes. It was some time before the Emperor again put forward proposals at the diets of 1471 (at Regensburg) and 1474 (at Augsburg) for an extraordinary general tax lasting one year to finance a national army and crusade against the Turks. At the diet of 1480 a military expert from Saxony suggested—with explicit reference to the examples of Hungary, France and some of the Italian states—the creation of a standing force for defence against the Turks to last for several years and to be financed from annual taxes. The tax schemes of 1471 and 1474 were unsuccessful, and further projects for general taxes in 1480, 1481 and 1486 failed to win acceptance in the diet. In 1486, it was established for the first time that a general tax could be used not only to finance wars against enemies of the Christian faith but also against Christian powers—in this case, Hungary.

In 1492, another form of assessment was chosen: an extraordinary hearth tax, with different rates for the cities and the countryside and with contributions graduated for nobles and princes. In the end, the most successful general tax was the famous 'common penny' (*Gemeiner Pfennig*) of 1495, imposed on all inhabitants of the Empire in Germany over the age of fourteen. This tax was principally linked to war, but it also incorporated the idea of state financing through taxation. The common penny was to finance the war against the Turks and wars against foreign powers (in Italy); it was also intended to subsidize the reformed

supreme court and to support the military forces used against those who broke the public peace. In order to collect these general taxes, it became necessary to establish a special temporary administration independent of the king's territorial government and under the direct control of the estates.

The military support raised on the basis of these new tax schemes of the fifteenth century was sometimes divided into two categories. A small initial contingent was assessed by a means of a 'small register' (*Kleiner Anschlag*) for the purpose of urgent assistance.[64] In theory—though rarely in practice—this was supposed to be followed up by a 'great register' or general tax in order to raise a large offensive military expedition and defeat the enemy.[65] In 1486, Emperor Frederick III demanded urgent assistance (the so-called 'hurrying help') of 163,000 florins, repartitioned on a smaller number of the territorial rulers and cities: it was to be levied on his son, King Maximilian; on 6 electors, the Archduke Sigismund of Tyrol and 70 Imperial cities. In the same year, Frederick demanded a 'great help' of 500,000 florins, whose register included 6 electors, 21 archbishops and bishops, 18 abbots, 11 secular princes and 58 cities. Counts, barons and knights were not assessed.[66] In other cases, the register showed approximately 300 territorial rulers and cities liable to taxation in this way.

V

From the 1480s, the continuous military demands of the Emperor gave the estates the opportunity to call for the pacification of the Empire by institutional reform. This led to a political deal being struck at the diet of Worms of 1495. The formal argument ran that only internal peace and security, guaranteed by the effective administration of justice, would enable the territories and cities to fulfil their full military and financial services to the king. But precisely because there was no agreement over the principle of raising general direct taxes to fund the Imperial government, the attempts to introduce such a tax in the fifteenth century generated much financial legislation as well as provoking a remarkably advanced discussion of legitimacy and justification, the principle of fiscal equality, the technical elaboration of tax regulations, and the political, economic and social consequences of taxation. With the exception of the Italian city states, no other part of Europe demonstrated such a sophisticated debate over fiscal issues in this period.

The most elaborate of the tax laws, those of 1471–4, laid down four clear

[64] This was the so-called 'hurrying help' (*Eilende Hilfe*) in order to carry on a defensive 'daily war' (*täglicher Krieg*).

[65] The so-called 'great help' was mostly assessed by a means of a 'great register' (*Grosser Anschlag*).

[66] *Deutsche Reichstagsakten*, ed. Angermeier and Seyboth (1989), 313–413 (nos. 311–60).

principles for a just tax: it had to be general; the burden had to be borne equally by all social and political groups; it had to be proportional to individual economic capacity and had to be bearable; and the calculated receipts had to be sufficient to fulfil the purpose of taxation.[67] The Emperor praised the tax laws of 1471 and 1474 which, by establishing a proportional tax, spread the burden across the whole of society from the shepherd to the king and assessed individuals according to their capacity to pay. The fourth principle had very important legal and practical implications since no one considered himself to be liable by law to contribute to taxes which could not achieve their purpose and were therefore useless. In several cases, this principle—and the fact that many estates were not inclined to contribute at all or in due time and thus jeopardized the calculated tax returns—produced arguments against, and resistance to, Imperial taxes.

With regard to the forms of assessment it is necessary to distinguish between banded and proportional taxes. Banded taxes normally observed a minimum property qualification, below which everyone had to pay a poll tax. Since the number of tax bands was small and each encompassed a wide range of wealth, the burden of taxation within the bands was inevitably regressive. This was particularly the case in the top band, where there was no upper limit and where taxpayers were often requested to make voluntary contributions in excess of their formal liabilities. Some banded taxes excluded the nobility, who were instead charged fixed amounts graduated according to rank and dignity. The 'common penny' of 1495 was principally a poll tax—fixed at one-twenty-fourth of a florin per head—but it also included a selective property tax on the 'rich', organized into two effectively regressive tax bands (500–1,000 florins and over 1,000 florins) with duties of half a florin and 1 florin.

In contrast, proportional taxes in theory spread the fiscal burden much more equitably. The tax of 1471–4 provides an outstanding example. It was essentially a profit and income tax, with the assessment of property being only of subsidiary importance. The tax regulations covered the assessment of annuities and manorial duties, yields of real estate, commercial profits and the produce of labour. The rate for the income tax was fixed at 10 per cent, while the tax on the yields of real estate was set at 5 per cent and that on the profits of commercial capital and stock at 4 per cent. Workshops were assessed by a fixed personal tax for each employed journeyman; the tax had to be paid by the master craftsman. Day labourers had to contribute a flat sum; domestic servants had to pay a wage tax of 1 per cent. The same tax rate of 1 per cent was applied to revenues derived from farming out cattle. It was assumed that the tax receipts would be sufficient

[67] Isenmann (1979), 71–9; Isenmann (1980), 161–82; Isenmann in Bonney (1995), 37. On the modern discussion of just taxes: Schremmer (1994).

to support an army of 60,000 men. Such an army would represent tax receipts of 4 million florins on a tax base of 40 million florins.

Almost more interesting than the details of the tax regulations and their relationship to concepts of just and equitable taxation is the spectrum of political, social and economic arguments brought to bear by the estates, and particularly by urban legal, financial and economic experts, against this quite unprecedented kind of Imperial taxation. These representatives of urban interests criticized the tax regulations point by point. Their basic objection rested on the unfavourable relationship between the money economy and the prevailing barter economy and the acute shortage of money in circulation. They explained the insufficient supply of coin primarily by the monetary rule—comparable to Gresham's law—that good money (especially the gold coin minted in the Empire) was disappearing. Their second argument was that large amounts of money were being transferred to the Papal and Imperial courts, to Venice and to other countries as a result of specific financial liabilities and of the generally unfavourable trade balance between northern and southern Europe. The third argument, concerning the lack of ready money, referred to commercial practices which, through the use of barter, bills of exchange and the international clearing system, had created in effect a trade network without cash.

On these grounds, the urban experts argued that a money tax fixed at the high rate of 10 per cent could have serious economic and social consequences. Receivers of payments and annuities in kind, and those taxed on the basis of their hereditary property, might face severe problems in paying their assessments. The increased sales of revenues received in kind in order to realize cash and thus pay the tax would produce a slump in prices, and the increased demands for credit would result in a fourfold increase in interest rates. Liquidity problems would ruin the merchants, too. Finally, it was argued that the tax would produce a cycle of recession. The enormous reduction in purchasing power caused by a high money tax would lead to an economic depression and social disorder, a slump in sales and unemployment among craftsmen, which would ruin the common people and force them to move elsewhere.

The basic fiscal justification for general and direct taxes (*Quotitätssteuern*) was that significant tax receipts could be achieved while still imposing only a small burden on each of the large number of taxable persons, and that everyone might therefore contribute in proportion to his ability to pay. On occasion, town councillors secretly admitted that the proposed tax burden was indeed light,[68] but all the general taxes proposed between 1427 and 1495 were regarded with suspicion by the Imperial and free cities: they thought the taxes might provide

[68] Isenmann (1979), 77; Isenmann (1980), 213–15.

precedents which would establish a permanent 'fiscal serfdom' such as was thought to exist in contemporary France. Such a tax would, moreover, expose the economic and financial conditions of every city and possibly excite the greed of the king and the higher estates. Nor was it only the cities that feared setting a precedent. The clergy of Mainz, Trier and Cologne decided in 1472 to form an alliance to oppose the collection of the Imperial tax. Groups of knights immediately subject to the Empire as well as nobles within the princely territories compared the 'common penny' of 1495 with a feudal census or tribute (*Zins*) and denounced it as a mark of serfdom. They refused to pay money taxes, arguing that, according to the medieval functional division of society and in recognition of their status, rank and dignity, they felt themselves obliged only to serve king and Empire in the traditional manner—that is, under arms, with their lives and blood.

A general system of direct taxation was an absolute innovation in constitutional terms and therefore required consent. Princes and noblemen at the Imperial diet were able to commit the subjects living on their own domains, but those who ruled territories where the estates had a comparatively powerful political position were forced to summon their own representative assemblies in order to obtain the consent (or, if secretly arranged by the ruler, the refusal) of the territory at large to the levying of such a tax. The refusal of the estates of both Bavarian duchies to permit the collection of the 'common penny' therefore had a serious impact on the effectiveness and profitability of this tax.[69]

In contrast to general and direct taxes, repartition taxes did not impose universal obligations because they were based on the principle that the princes and cities of the Empire were directly responsible for the payment of their entire quotas, which they ought to raise from their own revenues. During the last two decades of the fifteenth century, however, the idea gradually took shape that the territorial rulers and Imperial cities might 'sub-collect' their quotas by imposing general taxes on their subjects. The tax registers used for repartition taxes came into existence by a complicated and variable combination of individual consent, committee meetings and deliberations in, and between, the different councils (*Kurien, Kollegien, Stände*) of the diet, sometimes without any general formal conclusion. If the assessed estates did not agree to their quotas by individual consent, or if they were disinclined to pay, they entered the plea of *impossibilitas*. Although repartition taxes were usually more acceptable than general and direct taxes—perhaps because of their similarity to the old feudal levies which were in principle still in existence—it was still difficult to secure co-operation. In 1489, for

[69] Schmid (1989), 378–92.

example, 62 per cent of the Imperial cities and estates did not meet their liability.[70] This repartition tax yielded only 9,847 florins.

In 1495, the financial assistance offered to Maximilian amounted to temporary assistance ('hurrying help') of 100,000 florins assessed according to a general register comprising 348 estates and cities.[71] At the diet, counts and barons had entered a plea of financial incapacity, and a large number of counts, barons, knights, abbots and abbesses subsequently did not pay the tax. In comparative terms, however, it was a success, yielding 58,996 florins. The sums raised by such means were later ordered to be repaid by being offset against the 'common penny', but this did not happen in practice. Since the Empire had no real experience of general and direct taxation, the 'common penny' itself was a bold experiment, both with regard to its perceived value and the administrative difficulties likely to be encountered during its collection. Nobody was able to estimate even vaguely what the yield of such a tax might be. According to a report of the Venetian ambassador, the estates seem to have mentioned the sum of 800,000 florins. King Maximilian worked on the assumption of a million florins, while another estimate put the likely yield at 2 million florins. By adding up the items of expenditure as estimated and demanded at the diet to be met out of the 'common penny', the expected revenue can be fixed at a minimum of 300,000 florins.[72]

As the property tax built into the 'common penny' fell only on those at 500 florins or more, approximately 95 per cent of the recorded lay taxpayers in the cities and almost 100 per cent of those in rural areas actually paid the poll tax.[73] The situation was different for the clergy, though in some cases 70 per cent of ecclesiastics in the towns and bishoprics paid the property tax. The Imperial cities proved most co-operative in implementing the tax, followed by the ecclesiastical princes and the prelates, the latter probably because of their allegiance to the reform programme of Archbishop Berthold of Mainz. There was a much lower rate of co-operation and payment, however, among the electors (with the exception of Archbishop Berthold) and the secular princes. This had serious consequences, because the princes tended to guide the political attitudes of their own nobles and thus were able in effect to prevent the collection of the tax in their territories. Some territorial estates (*Landstände*) also formally refused to accept the 'common penny'. Although it was originally intended to collect this

[70] *Deutsche Reichstagsakten*, ed. Bock (1973), 1,233–5. The group details for non-payment were: electors (16.7 per cent); Imperial cities (32 per cent); bishops (68 per cent); princes (69 per cent); counts and barons (77 per cent); archbishops (80 per cent).

[71] Schmid (1989), 89–129.

[72] Ibid. 193–4. [73] Ibid. 427–572.

tax annually over a period of four years, the diet dropped it in 1500 after the last payments of the first collection had been made.

The treasurers recorded receipts from the common penny transferred from the cities and territories to a total value of 43,254 florins. A further total of 13,377 florins was collected but not transferred, probably because it was spent in the settling of accounts. Since the king was allowed to collect the taxes in his hereditary lands and in the duchies of Jülich, Cleves and Mecklenburg without submitting any accounts, we may add to these figures an estimate of 50,000 florins (according to the king) or 80,000 florins (according to the estates). In addition, the estates transferred to the king on the treasurers' account an extra 27,478 florins. Nor must we forget the 58,996 florins collected from the preceding repartition tax. As a result of the tax schemes of 1495, the king therefore received a total sum somewhere in the region of 136,474–166,474 florins for war purposes. Further than this, the treasurers spent 4,743 florins on administrative purposes. The supreme court was subsidized by 9,979 florins, and a sum of 1,002 florins was used in actions against peace-breakers according to the settlement (*Handhabung Friedens und Rechts*) of 1495. Reform expenditure, representing state financing in a narrower sense, thus amounted to 10,982 florins. After a long period of political compromise on fiscal obligations, in terms of taxation the 'common penny' had thus transformed both the nature, and the scale, of royal and Imperial finance.

Although, in terms of revenues, the crown and the Empire itself came very close to extinction before the revival and extension of their fiscal authority at the end of the fifteenth century, the primitive nature of medieval royal finance in Germany should not disguise the often very sophisticated fiscal and financial structures at the subordinate level, above all in the Imperial cities. It also suggests that in spite of, or perhaps because of, the long-standing political resistance to the notion that the subordinate states had general public obligations to fund either the administrative or even the military responsibilities of the Emperor, fifteenth-century Germany produced some of the most sophisticated debates on the principles of taxation known in later medieval Europe. In conclusion, it may be said that the most significant and interesting feature of the history of taxation in the fifteenth-century Empire was the series of projects and experiments—some with at least limited success—which helped gradually to re-establish the fiscal security, and political authority, of the Imperial office itself.

Most of the fiscal ideas and the practices of taxation used in the early modern period, indeed until the end of the old Empire in 1806,[74] were developed in the

[74] Mayer (1952), 242–4; Isenmann (1980), 195–218; Wild (1984), 223–6; Schmid (1983); Schulze (1975, 1978*a*, *b*); Klein (1974); Eltz (1986).

fifteenth century, particularly in the second half of the century. Two forms of extraordinary taxation to finance the wars against the Turks passed the Imperial diets in the sixteenth century: repartition taxes (*Matrikeln*) and direct taxes as proportional and banded taxes. After the second half of the sixteenth century in most, but not all, of the estates, the repartition taxes were preferred, not least because the right of the Imperial estates as territorial sovereigns to shift their quotas onto their subjects by sub-collection was legitimized by the Imperial diet in 1543. The repartition tax established by the Imperial diet at Worms (1521), which was to finance the Emperor's coronation in Rome, became a model in so far as the so-called 'Roman month' (*Römermonat*) became the basic financial unit used to calculate the quotas and the total of a *Matrikel*. There was an enhanced obligation to pay the taxes in the later sixteenth century. In 1548, an annual repartition tax, called the *Kammerzieler*, was established in order to pay for the costs of the supreme court of the Empire (*Reichskammergericht*). After 1555, the organization of the administrative and military 'circles' of the Empire (*Reichskreise*)[75] took care of the public peace, and after the early seventeenth century the 'circles' occasionally granted extraordinary taxes to finance wars against the Turks and other foreign powers.

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[75] Schulze (1978*b*), 191–22; Dotzauer (1989). The grants of the *Reichskreise* were additional to any grants of the Imperial diets.

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CHAPTER 8

The Low Countries in the Middle Ages

Wim Blockmans

The endeavour of rulers to create a uniform, more centralized, state was as marked in the Low Countries in the later Middle Ages as it was in the neighbouring monarchies. This policy met with only partial success. The administration of taxation in the Valois (and, later, Habsburg) territories in the Low Countries was partially unified from 1470 onwards, but after the 1520s the provinces reverted once again to their distinctive fiscal systems. The attempts of the central government to control the regional and local receivers were largely unsuccessful. Repeated proposals to introduce general systems of taxation, especially proportional taxes on trade and on capital, were aborted as a result of the opposition of representative institutions dominated by the large cities. Local and regional particularism, combined with a very low level of centralization, continued to characterize the two separate political and fiscal systems which emerged after the revolt of the Netherlands in the 1570s. The aim of this chapter is to pay especial attention to regional differences within the Low Countries during the Middle Ages, with a view both to detecting the reasons for the long-term 'failure' of the central government and understanding the relationship of the economic structure to the fiscal system.

I

Between 1384 and 1543, a series of personal inheritances brought together under the same ruler a series of principalities and lordships in the Low Countries, which by the end of the period were known as the 'Seventeen Provinces'. The attempt to integrate separate duchies and counties with very different institutional traditions at various stages over this 160-year-long period caused successive Valois and Habsburg rulers considerable problems. The acquisition of new territories often took place in competition with other states, and thus on his

initial visit (the so-called 'joyous entry') the new ruler had to give an undertaking to respect territorial and local privileges. The dukes of Burgundy—following both French and Flemish precedents—tried to impose financial uniformity from above by the creation of regional *Chambres des Comptes*. The first was installed at Lille in 1386 by Duke Philip the Bold with powers to audit the accounts of officers in Flanders and Artois, and this was later extended to Hainault (1438), Namur and Picardy. Directly after his succession to Brabant in 1404, Duke Philip's younger son, inspired by his father, created a *Chambre des Comptes* for his duchies of Brabant and Limburg, to which Luxembourg was joined in 1443. In Holland and Zeeland, it was not until 1447 that a *Rekenkamer* was installed at The Hague (this was abolished in 1463). This delay in imposing institutional control should be interpreted in the context of the relatively limited integration of these two counties within the Burgundian union.

At the centre, Duke Philip the Bold (1363–1404) created a *recette générale de toutes les finances* in 1387, where the accounts of the revenues of the general receivers of Burgundy and Flanders (as well as those of local and specialized receivers) were audited; but the separate accounts were not amalgamated.[1] Greater specialization occurred within the duke's Great Council in 1457 with the creation of a permanent committee competent in all financial matters. In 1473, Duke Charles replaced the regional *Chambres* and created at Malines, together with a *Parlement*, two central audit offices (one for the domains, the other for the aids). In the upheaval following his death in 1477, these three instruments of potential centralization were abolished and the three *Chambres des Comptes* at Lille, Brussels and The Hague were re-established. After about a century of evolution, financial unification had thus generally been accepted at regional level but not for the Low Countries as a whole. It was not until 1531 that a Council of Finance was firmly established alongside the two other 'collateral councils'; yet even this did not remove diversity in administrative practice.

Burgundian fiscal administration has been studied intensively by historians, who have now disproved earlier assumptions of a clear distinction between

[1] Nieuwenhuysen (1990), 155–60; Brokken and De Schepper (1989). In this chapter, the term 'States' is taken to mean the representative institution of a province; 'States General' the general representative institution. The separate provincial coinages of the Burgundian Netherlands were not unified until 1433–4. Thereafter, the former moneys of the other provinces were tied in a fixed relationship to the new Burgundian coinage, which was (in Dr Spufford's words) 'in effect a continuation of the money of Flanders'. Thereafter the *pond groot* of Flanders always equalled *1 livre 10 sous* . . . of Brabant; *6 livres* of Artois; *6 livres* of Holland; *12 livres tournois* of Hainault and *12 livres parisis* of Flanders itself. In addition to the *pond groot*, and the *livre parisis*, there was a third Flemish accounting system, also based on the *groot*. This was the pound (*pond*) of 40 groats (*groten*).' Spufford (1986), 228. [Ed.]

domain revenue (that is, the *recette ordinaire* element in the accounts of the *recette générale des finances*) and the aids and other irregular income (the *recette extraordinaire* element in the accounts).[2] In fact, many receipts from aids or loans were accounted for under the *ordinaire* heading, while sometimes income from domains was to be found under the *extraordinaire*. It seems likely that the *receveur général de toutes les finances* noted as *ordinaire* the transfers made by his subordinate officers—the regional *receveurs généraux* who handled both domains and aids—while the *extraordinaire* refers to belated payments he did not normally expect. This point is important for a correct interpretation of the sources, but it also points to earlier concepts of financial organization which underlie what might otherwise be perceived as irregularities in the accounts. Since the multiplicity of treasuries at different levels of the state was not eliminated until the end of the *ancien régime*, it is very difficult to obtain an overall view for the Burgundian period.[3]

It is important to recognize that much of the fiscal income was disbursed within the provinces themselves and never reached the centre. Under Philip the Bold, an average of 55 per cent of the income from his various territories reached the centre.[4] In Hainault (1427–67), only 53 per cent of domainal income and 52 per cent of the aids were transferred to the central *recette générale*.[5] A reconstruction of the total income and expenditure of the Burgundian state therefore requires systematic analysis of the accounts in all sectors, levels and regions. All receipts have to be pursued as it were 'from the bottom up', and expenditure has to be noted wherever it was incurred. This has only been attempted for certain years, most notably for 1394–6 and 1419.[6] The fragmented nature of the accounts, and their lack of systematization, makes this task difficult to achieve for the whole period. The conclusion must be that the dukes themselves could not possibly have had a clear view of their own financial position.

This verdict is substantiated by the repeated attempts of successive dukes to improve their financial management. In 1445, there was a global survey of the annual revenues of Philip the Good from his various principalities, the 'charges' (or expenditure in the localities), and the remaining net revenue which in turn was placed against the estimate of expenditure incurred at the centre. This exceptional survey confirms that only 54 per cent of the general or gross income of the state reached the centre: the rest was spent directly in the locality where it was collected—although, it should be stressed, at the express command of the

[2] Mollat (1958), 310–15; Aerts (1976), 170–81.
[3] Mollat (1958), 290; Brokken and De Schepper (1989).
[4] Nieuwenhuysen (1990), 166–8.
[5] Coutiez (1980), 126.
[6] Nieuwenhuysen (1984), 52; Zoete (1994), 323–7.

duke himself.[7] Charles the Bold (1467–77), whose interest in administrative reorganization is well known, had estimates of his revenues drawn up at the very beginning of his reign in 1467. This document was far less elaborate than the survey of 1445 and was clearly intended to be followed by further measures which did not in fact materialize—the constant military pressures of his reign precluded any thorough reorganization of the financial system.[8] Since successive dukes lacked any overview of their finances, they tended to resort to palliatives for urgent needs and, particularly in financial crisis, to various types of loans and the assignment of debts on specific revenues. These methods burdened and complicated the administration of finance for contemporaries (as well as creating complications for the historian). It was only after the reform of 1531 that budgets were regularly established by the Council of Finance.[9]

II

Two systems of taxation coexisted in the Low Countries for centuries: the local taxes for military and other purposes; and general levies which were subdivided as fixed sums to be paid by the various localities. The first system was older and tended to be most common in rural regions where it had evolved from the domainal tradition. Lists of hearths were drawn up for the purpose of the direct taxation of land (comparable to the southern French *fouage*): these survive for Brabant and Hainault after the mid-fourteenth century and from as early as 1306 for Luxembourg.[10] There were comparable systems in the other principalities. In the duchy of Guelders, heads of households were registered in the *pondschatting*, an estimate of total immovable wealth. It differed from the hearth censuses elsewhere in that a tax scale was added to the estimated value: this ranged from 2 to 8 pounds, which suggests a maximum tax rate of 4 per cent.[11] In Holland and Zeeland, repartition lists were based on the compulsory military service each village and town had to perform. The number of oarsmen to man the count's *koggen* was fixed in *riemtalen* for each district; each *riem* was then converted into an amount of money, 9 pounds 5 shillings in the north and 10 pounds in the rest of Holland. Likewise, the number of men (*schildtalen*) for the count's army was fixed for each locality in lists which were regularly revised. On the other hand, the construction and maintenance costs of dikes, drainage canals, sluices and windmills were levied by local and regional authorities (*waterschappen*) in strict

[7] Arnould (1974).
[8] Arnould (1984).
[9] Baelde (1963), 23–6.
[10] Arnould (1956), 8–11.
[11] Schaïk (1987), 77–92; Schaïk (1993), 259–60.

proportion to the area of land owned. This system of land taxes per *morgen* was applicable to the count's aids in exceptional circumstances until the sixteenth century.[12]

From 1469 onwards, Charles the Bold attempted to make the census of hearths the basis for the repartition of aids within his various principalities. Fiscal equity would prevent tax resistance and undermine the important negotiating role of the main cities. The *Chambre des Comptes* at Lille was instructed to compile hearth lists in all the lands within its jurisdiction, not only in Artois and Hainault, where this merely implied a revision of the existing system, but also in Flanders and Namur, where it entailed complete innovation. In Brabant, the hearth lists had been updated as recently as 1464, while in Holland the *riemtalen* already provided an equally objective equivalent; only Flanders, and especially the areas dominated by Ghent and Bruges, remained a stumbling-block to the duke's attempt to introduce uniform taxation throughout his principalities. In 1470, Duke Charles ordered the only hearth list ever undertaken in the prince-bishopric of Liège. Similar measures were undertaken in Luxembourg, where Flemish financial experts attempted to modernize the territory's fiscal organization in 1472. The nobility had to accept for the first time that the general aid would be levied on the population within their lordships, thus practically doubling the taxable population—but this lasted for only four years.[13] Simultaneously, Duke Charles sought to tax the clergy and nobility within his territories, ordering a sixth penny to be levied on feudal landholdings and an amortization on the value of ecclesiastical properties acquired over the previous sixty years.

This range of innovations aimed to establish a more rational and more equitable repartition of taxation in the hope of achieving higher yields. Fierce opposition from the large Flemish cities prevented full implementation of the hearth lists, while the nobility and clergy obstructed the establishment of lists of their landholdings.[14] This in turn led to the failure of a general repartition scheme for all the principalities, which would have permitted an approximately equal level of taxation for all provinces, proportionate to the number of families, with the exception of the poor. Within the villages, a further repartition would have been based on the wealth of each hearth.[15] Charles the Bold's rationalizing measures were well conceived but badly implemented, since they were imposed under the pressure of an extremely high tax burden. The strength of the representative

[12] Bos-Rops (1993), 43–7, 376–95; Tracy (1985*a*), 84. A *morgen* was equivalent to 2.25 acres.

[13] Petit (1985), 408–14; Petit (1993), 137–8.

[14] Arnould (1956), 159–61; Blockmans (1978), 416–21; Blockmans (1987), 79–82; Jongkees (1942), 214–40.

[15] Maddens (1978), 189–204; Zoete (1994), chs. 5, 6, 8, 11; Petit (1993), 136–9.

institutions, especially in the most urbanized principalities, in part explains the repeated failure of government attempts to establish a uniform system of taxation for the Burgundian lands as a whole.

There were certainly attempts to introduce a simpler method of collecting revenues: in 1438, Philip the Good proposed the levy of 1 *noble* on each sack of wool imported into Flanders at Gravelines. This innovation was later extended to all goods passing this border toll in both directions.[16] In 1445, the yield of this tax was in excess of 13,000 *livres* (of 40 groats), far more than the gross revenue of the domains in the county of Namur, which amounted to 8,080 *livres*.[17] As a result of considerable popular pressure, the government had to relinquish this toll in 1477. Philip the Good's proposal in 1447 for a variable levy on salt in Flanders,[18] subsequently extended to the other principalities, was less successful. Ghent common council's categorical refusal to impose this levy led to a protracted conflict between the duke and his largest city, but violent resistance was effective: no *gabelle* was ever introduced in the Low Countries.[19] The great cities resisted the imposition of permanent indirect taxation because they wished to retain control over the grant of taxes, the conditions imposed, and the repartition and levy of the subsequent tax revenue. They were prepared to avoid such initiatives by the grant of large aids which were possibly even more burdensome to the population at large than the proposed indirect taxes.[20]

Even in the sixteenth century, the States remained opposed to any long-term grant of indirect taxes on consumption, trade or property. The cities of Holland struggled fiercely against repeated attempts to levy a tax on grain exports. On five occasions between 1506 and 1545, the central government tried to impose such a *congié* or licence, but each time it had to be withdrawn after a few months. In Zeeland, Brabant and Flanders, there was less obstruction, probably because these provinces were less dependent on the transit grain trade. Between 24 April 1535 and 28 February 1541, the tax yielded the relatively modest sum of 22,280 pounds.[21] The dramatic and pressing increase in the government's financial requirements during the periods of war with France forced it to consider implementing new systems of taxation. Since the opposition of the States General and the provincial assemblies always tended to delay the implementation of new fiscal measures, the government had to adopt expedients with far-reaching

[16] Thielemans (1966), 175–6; Blockmans (1978), 403–4.
[17] Arnould (1974), 151–2, 214.
[18] The levy was of '18 or 27 groats per sack of salt'.
[19] Vaughan (1970), 303–30; Boone (1990*b*), 225–35.
[20] Blockmans (1978), 378–439; (1988).
[21] Tracy (1990), 94–105.

significance in terms of interference with the States. From 1542 onwards, several indirect taxes were granted for predetermined periods to finance the war against France: a tax of 'the 100th penny' on the value of exports, after protracted negotiations with the States, was finally imposed 'by virtue of the Emperor's absolute power'; a tax of 'the 10th penny' on commercial profits and on income from landed property (including rents) was also imposed. The tax on real property and rents proved the most advantageous of the three to the central government: it yielded 290,000 *livres* in Flanders, 248,933 *livres* in Brabant and 91,482 pounds in Holland. The levy on commercial profits met such strong opposition that it yielded only 1,200 pounds in Holland, and the export tax had to be extended by more than two years in order to bring in the 200,000 pounds for which its collection had been farmed out.

During the years 1542–4, which saw extremely high fiscal pressure, half the revenues of the province of Holland came from indirect taxes and from the sale of rents funded by the States. Although after 1545 universal taxes were not levied on exports and commercial profits until Alba's regime, provincial excises controlled by the States became a regular feature. By complying with Alba's 'novel expedients', the States expanded the responsibilities of their own collectors.[22] Alba's attempt in 1569 to introduce three different universal taxes (at levels of 1, 5 and 10 per cent) failed because of the obstructionism of the provinces, and this helped to mobilize public opinion against the government during the revolt in the Low Countries.[23]

The second system of taxation used in the Low Countries, by repartition in abstract figures instead of troops, was first developed in Flanders. The earliest list covering the whole country was drawn up in 1305 for towns and rural districts. It was revised in 1408, partly revised in 1474 and completely revised again in 1517, but its application always remained a matter of negotiation.[24] The most important cities were usually able to obtain considerable reductions. Since the repartition lists were not derived from objective economic data, they could easily be manipulated. Between 1515 and 1550, the three main cities of Flanders—Ghent, Bruges and Ypres—contributed on average a mere 8 per cent to the aids of the country, while they were theoretically charged at 35.5 per cent.[25] The introduction of such a repartition system in Holland came only with the accession of the house of Valois in 1427, while this innovation did not reach Utrecht

[22] Tracy (1985*a*), 79–91; Arnould (1956), 15–18; Maddens (1979).

[23] Craeybeckx (1967); Grapperhaus (1982). The broader context of these taxes is described by Muto in Bonney (1995), ch. 7.

[24] Prevenier (1960); Buntinx (1968); Maddens (1978), 13–72.

[25] Maddens (1978), 216–46 (present author's calculations); Boone (1990*a*), 53–60; Blockmans (1978), 425–32.

and Guelders until 1500. From 1526 onwards, the five great cities of Holland (with the exception of Amsterdam) had rebates of between 66 and 80 per cent of the ordinary aids, and of between 77 and 100 per cent of the extraordinary aids, which they obtained by trading their consent. Yet the 1514–15 assessment in Holland indicates that the cities represented 59.4 per cent of the total wealth of the province. In 1531, the Council of Finance estimated that the *graces* accorded by such negotiations reduced the net revenue of the aids by 35 per cent in Holland, 33 per cent in Brabant and 32 per cent in Flanders. It was primarily the inhabitants of the large cities who profited from these reductions. The figures show that urban wealth, and especially commercial capital, was taxed with great indulgence under the Valois and Habsburgs.[26]

In 1470, as part of his attempt to establish greater uniformity of taxation methods in his territories, Duke Charles first proposed to levy an aid on all his principalities in the Low Countries, assembled in the States General. It was only in 1473 that the first general aid was granted, since the repartition between the territories had posed difficulties because of the opposition to a general census of hearths. Although the repartition applied on that occasion was repeated for several later grants, variations continued to occur at later dates (Figure 8.1 and Table 8.1).[27] The initial aim of achieving greater effectiveness by asking for aids from all the territories at the same time proved unrealistic: negotiations continued to be conducted on a province-by-province basis. After 1523, indeed, the proposed granting of aids was rarely suggested to the States General, and attempts at unification were largely abandoned. The pressing fiscal needs of the government forced it to yield to sectional demands from the various territories and from interest groups within the provinces.

III

It is only for a relatively small number of years that we can compare the different types of income and expenditure in the Burgundian and Habsburg territories. Figure 8.2 and Table 8.2 show the position for income in the years 1394–6, when the Burgundian state was still small but taking huge profits from the French crown.[28] The diversity in accounting methods applied in the various principalities renders comparison somewhat difficult. For example, the receivers for Flanders, Lille and Limburg made no mention of ordinary aids, which

[26] Bos-Rops (1993), 236–7; Tracy (1985*b*), 79–80, 84–5, 90.

[27] ESFDB \block\nethb001 based on \nethd001; Blockmans (1978), 421–3; Zoete (1994), 341; Maddens (1978), 1–11. Note that in 1471 and 1473 the figure for Zeeland was included in that for Holland.

[28] ESFDB \block\nethb002 based on \nethd002; Nieuwenhuysen (1990), 167.

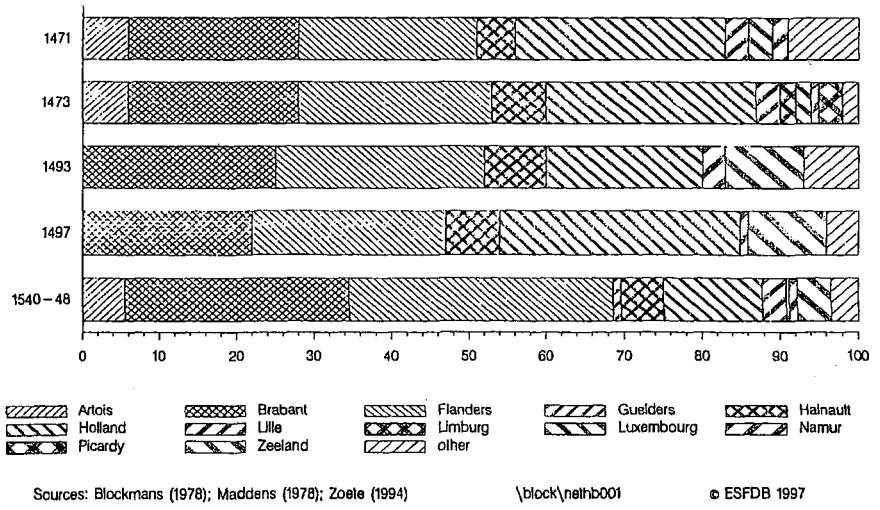

FIG. 8.1 The repartition of the Burgundian general aids by province, 1471–1540/8

TABLE 8.1 The repartition of the Burgundian general aids by province, between 1471 and 1540–8, in per cent

	1471	1473	1493	1497	1540–8
Flanders	23	25	27	25	34
Brabant	22	22	25	22	29
Holland	27	27	20	31	12.7
Zeeland	*a*	*a*	10	10	4.4
Hainault	5	7	8	7	5.5
Artois	6	6	—	—	5.6
Lille	3	3	—	—	3
Namur	2	1	3	1	1
Luxembourg	3	2	—	—	0.4
Guelders	—	—	—	—	1
Picardy	—	3	—	—	—
Limburg	—	2	—	—	—
Others	12	2	7	4	3.4

[a] Zeeland's figures for 1471 and 1473 are included in the figure for Holland
Sources: Blockmans (1978), 421–3; Zoete (1994), 341; Maddens (1978), 1–11

represented quite significant amounts in the other territories, exceeding by far the 'aids for the duke'. In Burgundy, for example, the former accounted for 50,000 *francs*, the latter merely for 21,000 *francs*, while in Flanders similar revenues were considered to form part of the domain. A significant proportion

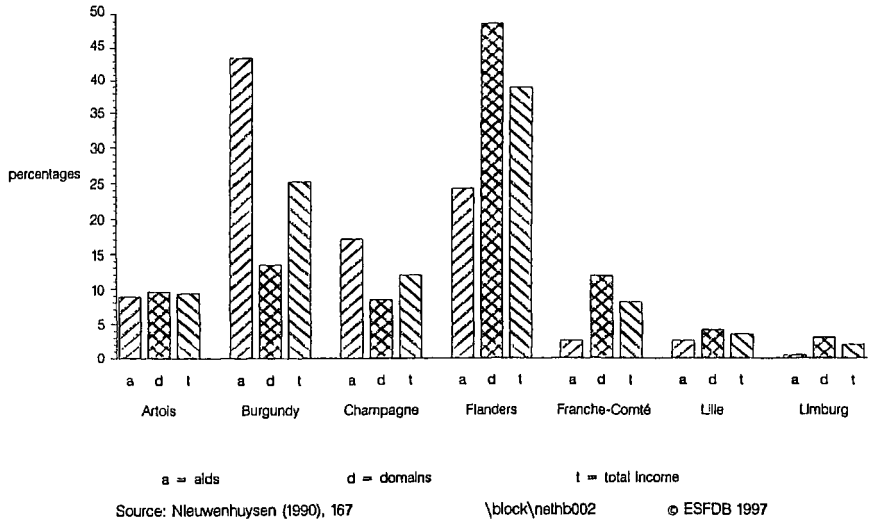

FIG. 8.2 Percentages of annual gross income of the Burgundian state from the provincial domains and aids, 1394–6

TABLE 8.2 Annual gross income of the Burgundian state, 1394–6

	Domains [%]	Aids [%]	Totals		
			francs	écus[a]	%
Flanders	48.3	24.4	160,000	136,000	38.8
Lille[b]	4.2	2.7	14,960	12,716	3.6
Artois	9.9	9.1	39,755	33,792	9.6
Limburg	3.1	0.5	8,440	7,172	2.1
Champagne[c]	8.7	17.4	50,175	42,650	12.2
Burgundy	13.7	43.2	105,000	89,250	25.4
Franche-Comté	12.1	2.7	34,400	29,240	8.3
TOTALS	60.2	39.8	412,730	350,820	100.0
Royal gifts and pensions			105,870	90,000	
GRAND TOTALS			518,600	440,820	

[a] *francs* of 34 *gros*, *écus* of 40 *gros*
[b] governorship of Lille, Douai and Orchies
[c] Champagne, Nivernais, Rethel
Source: Nieuwenhuysen (1990), 167

(about 12.5 per cent) of the Flemish domainal revenues was drawn from tolls levied on the international trade through the ports and along the rivers. If we also include the income of the duke from seigniorage rights from royal mints, levies on 'Lombards' and other moneylenders and a share in urban assizes

(which were all higher in a commercialized than a rural region), the Flemish domainal revenues amounted in 1401–2 to around 22,000 *écus*.[29] This example shows the dangers of identifying the domain in all territories as merely the traditional, mainly rural, revenue of the prince.

Pensions from the French crown were of critical importance in the total revenues for the year 1419, although it was to be the last time that this was the case (Figure 8.3 and Table 8.3). Ducal revenues had decreased substantially since 1394–6. The domains and aids yielded some 40 per cent less as a consequence of territorial concessions to two junior branches of the dynasty. Champagne, Nivernais, Rethel, Antwerp and Limburg had all passed into other hands, which meant a reduction in total revenue of nearly 15 per cent. Furthermore, the revenue from aids in Burgundy—which had been extraordinarily high in 1394–6—decreased by two-thirds, while the Flemish domains yielded 29 per cent less, mainly due to charges on the revenues. These losses were compensated for in part by the huge flow of pensions from the French royal treasury and revenues from ducal mintage rights, which had more than quadrupled (the domain receipts for Burgundy amounted to some 191,000 *livres* in seigniorage rights from royal mints): these two elements now represented almost two-thirds of the duke's total income. Matrimonial and inheritance arrangements thus had dramatic consequences for the Burgundian state. Moreover, the emphasis on French politics and seeking pensions from the Valois king under John the Fearless (1404–19) led to the neglect of regular sources of income at home and rendered the state's finances extremely vulnerable.[30] After his murder in 1419, and the immediate stop on further income from the French king, his son Philip the Good (1419–67) had no other choice but to try to expand his territories once again. He was eventually remarkably successful in this task.

The estimate of income for 1445 (Figure 8.4 and Table 8.4)[31] and the budget for 1467, both studied by Arnould, allow us an insight into the fully developed and financially independent Burgundian state. The net receipts of the duke's domains on average amounted to 54.1 per cent of the gross income, with the domains of Artois, Flanders and Holland charged most heavily with assignments. Both the estimate of income for 1445 and the budget for 1467 chiefly concern the domains; we can contrast this income with the receipts from the aids granted in 1445 or, somewhat earlier, for all the duke's territories, since they were motivated by the conquest of the duchy of Luxembourg. Moreover, we

[29] Nieuwenhuysen (1984), 211.

[30] ESFDB \block\nethb003 based on \nethd003; Zoete (1994), 323–7 (recalculated). The provincial percentages exclude income from royal gifts and minting.

[31] ESFDB \block\nethb004 based on \nethd004; Arnould (1974), 214; Zoete (1994), 338. Note that the domain revenues for Zeeland were included in those for Holland, for Lille in those for Flanders, and for Limburg in those for Brabant. An aid was granted by Namur in 1444.

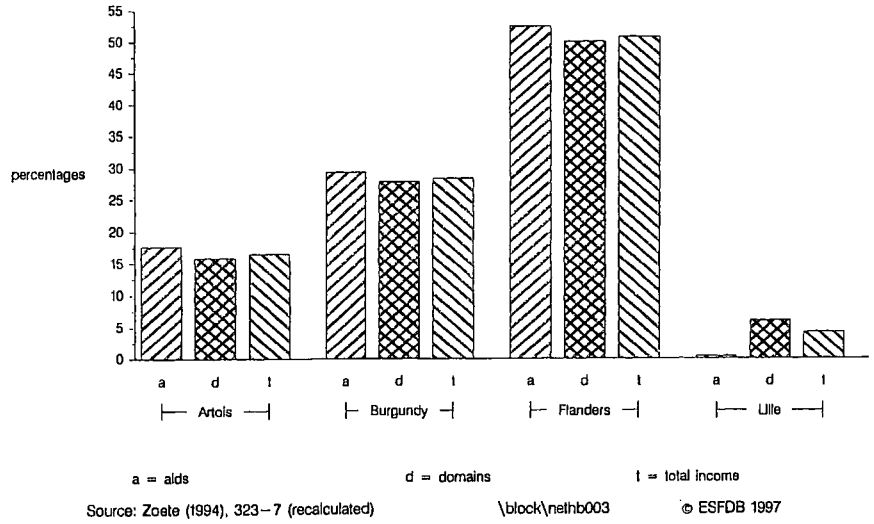

FIG. 8.3 Percentages of annual gross revenue of the Burgundian state from the provincial domains and aids, 1419

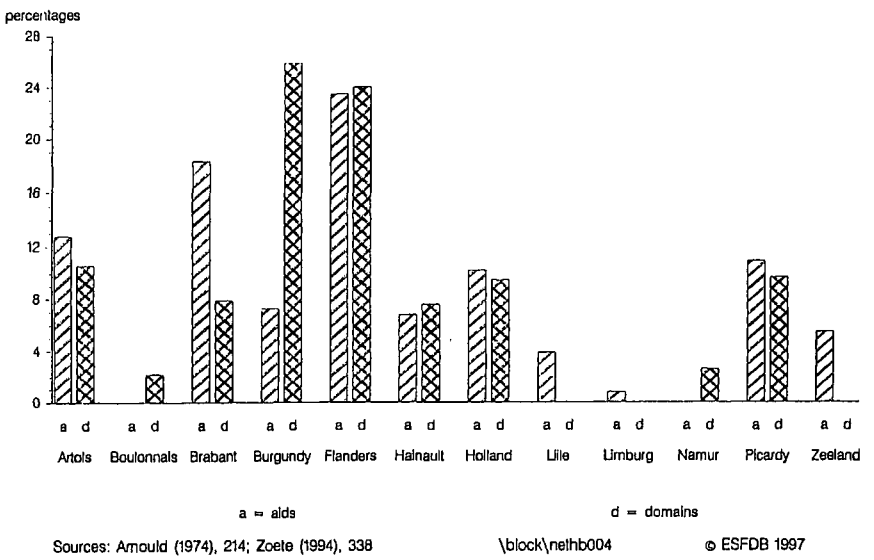

FIG. 8.4 Percentages of estimated gross income from provincial domains and aids payable to the Burgundian state, 1445

TABLE 8.3 Income structure of the Burgundian state in 1419 (in pounds of 40 groats)

A Percentages of Total Revenue

		Percentage of revenue category	Percentage of total revenue	
Provincial revenue				
Domains	145,126	69.1		24.2
Aids	65,020	30.9		10.9
Total provincial revenue	210,146	100	35.1	
Princely revenue				
Mint revenue	191,000	49.2		32
Gifts	197,005	50.8		32.9
Total princely revenue	388,005	100	64.9	
TOTAL REVENUE	598,151		100	100

B Provincial Revenue by Category and Province

Province	Domain revenue	Percentage of domain revenue	Revenue from aids	Percentage of revenue from aids
Flanders	72,656	50.1	34,106	52.5
Lille	8,866	6.1	269	0.4
Artois	23,104	15.9	11,545	17.7
Burgundy	40,500	27.9	19,100	29.4
PROVINCIAL TOTALS	145,126	100	65,020	100

Source: Zoete (1994), 323–7 (recalculated)

can ascertain from the records of the *recette générale des finances* the expenditure incurred at the centre, while recognizing that this absorbed little more than half of the state's total income. Both the aids and the central expenditure are also to be found in a short *Estat abregié* for 1445.

In Figure 8.5 and Table 8.5 the total fiscal contributions of the various territories are estimated by adding the domainal revenue to the aids.[32] Extraordinary revenue underwent considerable variation from year to year, but the attempt to reconstitute the global figures for the single year 1445 is worthwhile, and certainly provides a clearer position of the ducal financial position than was available to his administration at the time. The aids tended to be lower in provinces

[32] ESFDB \block\nethb007 based on \nethd007; Blockmans and Prevenier (1994) for population figures. The population figures for Holland are based on the census of 1514, and that for Zeeland is deduced by extrapolation. There are no certain population figures for Burgundy including Franche-Comté.

TABLE 8.4 Estimated gross income from provincial domains and aids payable to the Burgundian state in 1445 (in pounds of 40 groats)

	Domains					
	Gross	%	Net	%	Aids	%
Burgundy[a]	81,900	25.9	57,600	33.7	14,400	7.3
Brabant	24,797	7.9	18,240	10.7	35,892	18.3
Limburg	[*b*]	[*b*]	[*b*]	[*b*]	1,500	0.8
Flanders	75,877	24.0	32,277	18.9	46,064	23.5
Lille	[*c*]	[*c*]	[*c*]	[*c*]	7,560	3.9
Hainault	24,147	7.6	12,098	7.1	13,416	6.8
Artois	33,582	10.6	4,756	2.8	25,200	12.8
Picardy	30,625	9.7	22,314	13.0	21,340	10.9
Boulonnais	6,784	2.2	5,007	3.0	[—]	[—]
Namur	8,080	2.6	4,883	2.8	[6,000][d]	[—]
Holland	29,910	9.5	13,758	8.0	20,000	10.2
Zeeland	[*e*]	[*e*]	[*e*]	[*e*]	10,800	5.5
TOTALS	315,702	100.0	170,933	100.0	196,172	100.0

[a] duchy, Franche-Comté and dependencies
[b] included in Brabant
[c] included in Flanders
[d] single year's aid granted in 1444 only
[e] included in Holland
Source: Arnould (1974), 214; Zoete (1994), 338

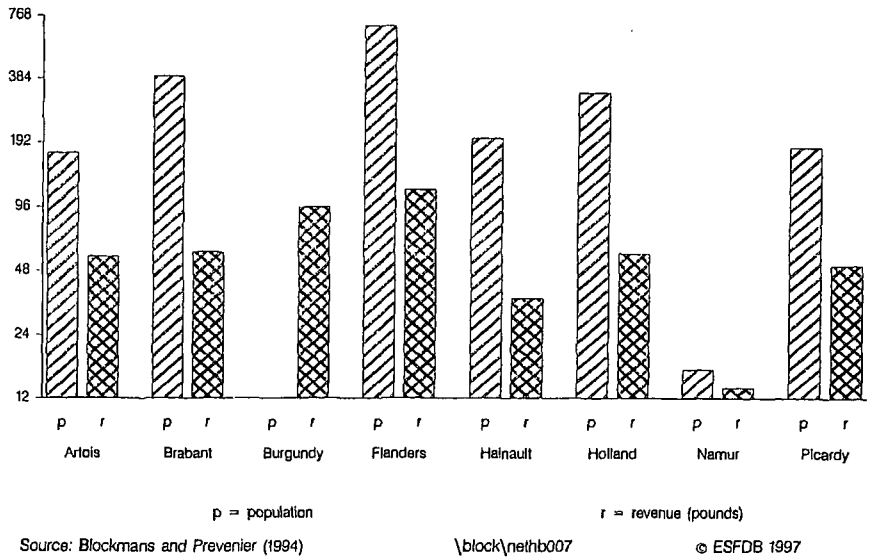

FIG. 8.5 The provinces of the Burgundian state: financial ranking in 1445 compared with population *c.*1470

TABLE 8.5 Financial ranking in 1445 compared with population in *c.*1470

	Total revenue (in livres)	Population	Per capita (in groats)
Flanders and Lille	121,941	705,000	6.9
Burgundy and F. Comté	96,300	?	?
Brabant and Limburg	62,189	399,000[a]	6.2
Holland and Zeeland	60,710	339,000[b]	7.2
Artois	58,782	176,000	13.3
Picardy	51,965	184,000	11.3
Hainault	37,563	202,000	7.4
Namur	14,080	17,500	32.2

[a] 16,500 persons should be added as representing the Limburg figures

[b] The figures for Holland are based on the 1514 census. Population figures for Zeeland (85,000 inhabitants) are estimated from the overall 3:1 tax ratio between Holland and Zeeland

Source: Blockmans and Prevenier (1999) for population figures

where domainal income remained significantly high. In the two Burgundies, the aids represented merely 18 per cent of the relatively high domainal (gross) revenue, while in Brabant the aids amounted to 45 per cent more than the total of the receipts from the domains. These disparities need to be considered in relation to the extent and structure of the duke's domains in each component territory.

The gross revenues from the domains and the aids in 1445 amounted to about 512,000 pounds of 40 groats or nearly 16.7 metric tonnes of fine silver.[33] By 1465, the income from aids had increased by 30 per cent, equivalent to about 8 metric tonnes of fine silver which, together with the equivalent of more than 10.3 metric tonnes of fine silver arising from the gross domainal revenues, amounted to a total of some 18 metric tonnes. This figure compared favourably with the revenues of Edward IV of England in the same period, as well as with the equivalent of 10 metric tonnes in silver granted as *servicios* by the *Cortes* of Castile.[34] The financial potential of the Burgundian state made it a true competitor with the main kingdoms of western Europe, although its population was far less numerous.

Figure 8.5 reveals clearly the financial predominance of Flanders, with more than double the revenue of neighbouring principalities such as Brabant–Limburg, Holland–Zeeland and Artois. Hainault's relatively modest contribution was a consequence of the great political importance of its nobility, since the large noble domains were exempt from the tax demands of the Valois dukes.

[33] 1 groat contained 0.8143 grammes of fine silver in 1445. From 1434 to 1465, a Flemish groat weighed 1.7 grammes and had a purity of 0.479: Gelder and Hoc (1960), 14.

[34] Ormrod in Bonney (1995), 151–3.

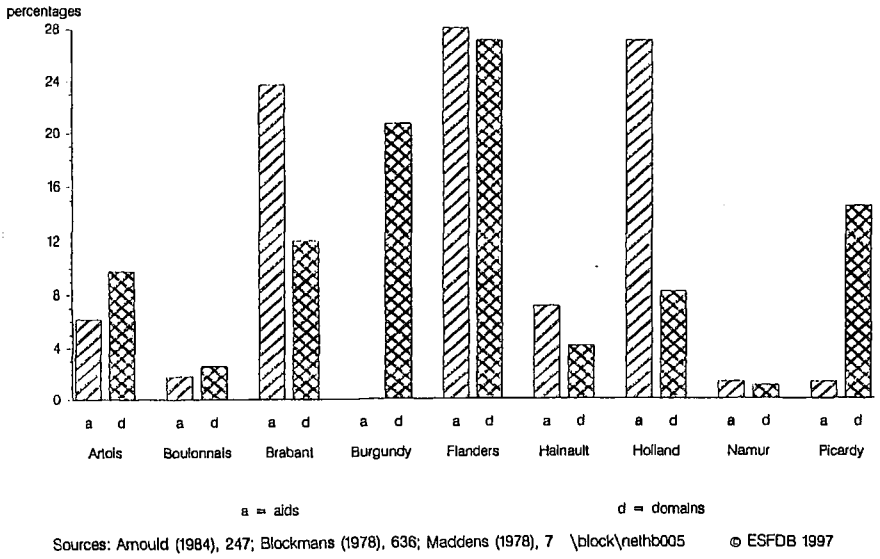

FIG. 8.6 Percentages of net income from provincial domains, 1467, and the aid of 1473 payable to the Burgundian state

Even more striking is the per capita tax burden (though it must be recognized that the population figures have to be computed from fiscal data and thus are liable to the same bias). With the exception of Hainault, it appears that the tax burden was considerably heavier in the rural regions than in the cities. The case of Namur stands out as being unusually high: even if one removes the unique aid of 1444 (6,000 *livres*), the per capita burden of the duke's domainal income in that county was still 17 groats, as compared to figures of 7 groats or below elsewhere. These figures obviously ignore other taxes levied by feudal lords, cities and drainage organizations, but the inescapable conclusion is that the per capita tax burden weighed up to twice as heavily on the inhabitant of a rural region than on his counterpart in an urbanized region.

The budget of 1467 seems to confirm the tendency for the aids to be lower when domainal revenue was high, and vice versa (Figure 8.6 and Table 8.6).[35] Brabant and Holland had low domainal revenue but a high income from the aids; Artois and Picardy showed the reverse tendency. In general, total income from the domain had risen markedly during this, the 'golden age' of Burgundy. There had also been a drive to reduce the charges on the receipt offices, espe-

[35] ESFDB \block\nethb005 based on \nethd005; Arnould (1984), 247; Blockmans (1978), 636; Maddens (1978), 7. The figures are those for net revenue.

TABLE 8.6 Percentages of net income from provincial domains (1467) and from the aid of 1473 payable to the Burgundian state

	Net domain [*livres*]	Evolution from 1445 [in %]	Percentage share		
			All areas	L.C.	Aid 1473
Burgundy	46,829	−18.7	20.7	—	—
Brabant and Limburg	27,163	+48.9	12.0	15.1	23.7
Flanders	61,337	+90.0	27.1	34.2	28.3
Hainault	9,221	−23.8	4.1	5.1	7.1
Artois	22,111	+364.9	9.8	12.3	6.2
Picardy	32,804	+47.0	14.5	18.3	1.3
Boulonnais	6,000	+19.8	2.6	3.3	1.8
Namur	2,300	−52.9	1.0	1.3	1.3
Holland	18,592	+35.1	8.2	10.4	27.0
Luxembourg, Malines etc.	—	—	—	3.3	
TOTAL	226,357[a]	+324			

[a] The net domain figure for 1445 was 170, 933. The increase was therefore 324% on this figure
L.C. Low Countries excluding Burgundy and Luxembourg
Source: Arnould (1984), 247; Blockmans (1978), 636; Maddens (1978), 7

cially in Artois. In the first half of the sixteenth century, the contribution of the domains declined to a quarter of total revenues in 'normal' years such as 1534 and 1551, and to a mere 5 per cent in the crisis year of 1545 (Figure 8.7 and Table 8.7).[36] In general, Charles V considered his domains an essential security for his extensive wartime loans. The increase in grain prices and rents (which doubled between 1505 and 1550) created a buoyant domainal revenue and helped to guarantee the floating debt.[37]

IV

The Burgundian duke's income from his principalities in the Low Countries rose from 210,146 *livres* in 1419 to 511,873 *livres* in 1445. Short-term increases in taxation could be particularly important: there was a rise in average annual revenue from 864,015 *livres* in 1531–4 to 1,251,198 *livres* in 1535–8. In the long term, the 69 per cent increase from the 'normal' level in 1445 to the other 'normal' level in 1531–4 by far exceeds the rate of general inflation. Population growth and economic expansion, especially in Brabant and Holland, made this increase tolerable. The arrival of the 'tax state' is also clear. Whereas aids provided between 31 and 38 per cent of the total revenue in the Burgundian heartlands between 1394 and 1445, this

[36] ESFDB \block\nethboo6 based on \nethdoo6; Baelde (1963), 21–2.
[37] Cauwenberghe (1982), 287, 345–53.

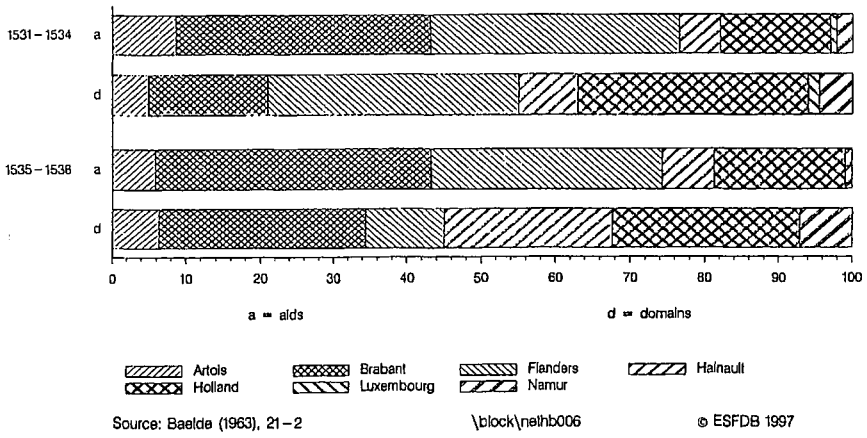

FIG. 8.7 Percentages of net domain and aid revenue from the territories of the Burgundian state under Charles V, 1531–4 and 1535–8

TABLE 8.7 Percentages of net domain and aid revenue of the Burgundian state under Charles V, 1531–4 and 1535–8

	1531–4		1535–8	
	Domains [%]	Aids [%]	Domains [%]	Aids [%]
Brabant	16.0	34.4	28.0	37.3
Flanders	34.0	33.4	10.6	31.0
Hainault	8.0	5.5	22.6	7.0
Artois	5.0	8.7	6.4	5.9
Holland	31.0	15.0	25.3	17.8
Namur	4.5	2.2	7.1	0.9
Luxembourg and Limburg	1.5	0.8	[—]	[—]
Percentage of total income	20.0	80.0	13.0	87.0
TOTAL (in *livres*)	701,653	2,754,409	650,052	4,354,742

Source: Baelde (1963), 21–2

proportion had risen dramatically by the 1530s to 80 per cent in peacetime and 87 per cent in wartime.

Between 1419 and 1445, revenues from both the domains and the aids in the old territories had increased considerably, by 32 and 43 per cent respectively. By

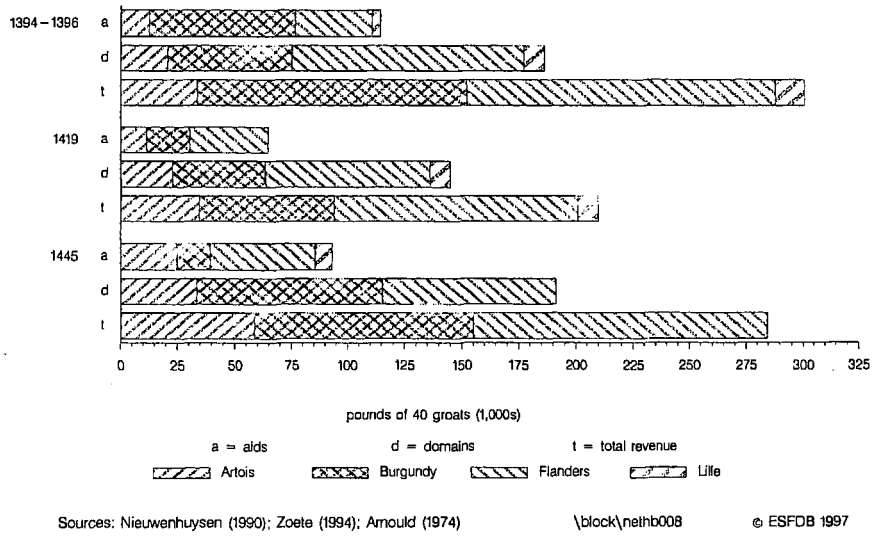

FIG. 8.8 Comparison of the gross income from the core lands of the Burgundian state, 1394–6, 1419 and 1445

1467, the net domain revenue had again increased by 32.5 per cent above the 1445 figures. Moreover, in 1445 new territorial acquisitions represented 39.5 per cent of the gross domainal revenue and 44.6 per cent of the net revenue. Their contribution to the aids was even more important, amounting to 52.5 per cent. Territorial expansion thus enabled the duke to follow a policy of independence from France, which could not apply before 1419, and from England, which became apparent in 1435. Figure 8.8 and Table 8.8[38] suggest that the year 1419 had been one of extremely low returns for the duke's regular income from domains and aids, even if the figure for the aids in Burgundy and for the Flemish domain revenues in 1394–6 seem unusually high (the overall fall in income in 1419 was mainly owing to reductions in these two items). The proportion of the income from the aids fluctuated between 38.1 per cent in 1394–6, 31.4 per cent in 1419 and 32.8 per cent in 1445; this drop has been related to the Parisian orientation (and income supplements) of Duke John the Fearless. The other items of income showed a remarkable stability over the half-century,[39] which contrasts sharply with their evolution during the next century.

The global figures of aids granted by the States during the fifteenth and

[38] ESFDB \block\nethboo8 based on \nethdoo8; Arnould (1974), 214; Zoete (1994), 338; Nieuwenhuysen (1990). Flanders includes Lille, Douai and Orchies for 1445; Burgundy includes Franche-Comté.

[39] Nieuwenhuysen (1990), 173.

TABLE 8.8 Income from the Burgundian core lands in 1394–6, 1419 and 1445, in pounds of 40 groats

	Domains		
	1394–6	1419	1445
Flanders	102,000	72,656	75,877[a]
Lille	8,955	8,866	[a]
Artois	21,042	23,104	33,582
Burgundy[b]	54,400	40,500	81,900
TOTAL	186,397	145,126	191,359
	Aids		
Flanders	34,000	34,106	46,064
Lille	3,761	269	7,560
Artois	12,750	11,545	25,200
Burgundy	64,090	19,100	14,400
TOTAL	114,601	65,020	93,224
	Totals		
Flanders	136,000	106,762	129,501[a]
Lille	12,716	9,135	[a]
Artois	33,792	34,649	58,782
Burgundy	118,490	59,600	96,300
GRAND TOTAL	300,998	210,146	284,583

[a] Flanders including Lille, Douai and Orchies
[b] Duchy and Franche-Comté
Source: Arnould (1974), 214; Zoete (1994), 338; Nieuwenhuysen (1990)

sixteenth centuries are available for most of the Burgundian territories. These figures are summarized for the years 1405–67 in Figure 8.9.[40] Recent detailed research has been undertaken for Flanders, Luxembourg, Guelders and Holland. In several territories, especially Holland, Zeeland, Brabant and Artois, there was an increasing stability in the amount of aids granted, and a tendency for them to be agreed for several years in advance. This was also the practice in Flanders, but it was complicated by the addition of several grants of different sizes and for different timescales: these included ecclesiastical grants and huge fines imposed after unsuccessful revolts (in 1430, 1438 and 1453). In Hainault, there were regular grants from 1445 onwards, and this year was a turning-point in the financial history of the Burgundian state in other respects as well. In view

[40] ESFDB \block\nethg001 based on \nethd010; Zoete (1994). Flanders includes Lille, Douai and Orchies; Holland includes Zeeland.

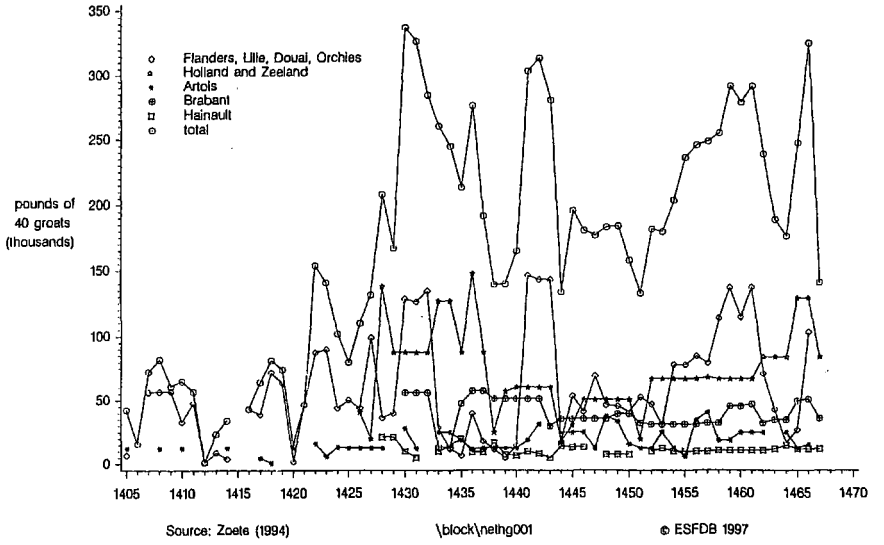

FIG. 8.9 Aids granted by the Burgundian States, 1405–67

of the irregularity of the duke's grants of aids in Flanders, it is not surprising that he made great efforts to obtain more reliable revenue from other sources such as tolls and the proposed tax on salt. Figure 8.10[41] shows that actual revenue from the aids oscillated between the gross and the net domain income at their 1445 levels. Tax levels clearly increased during periods of war (such as 1473–93 and 1520–9), but tax revenue never fell back to its pre-war levels (Figures 8.11 and 8.12).[42]

Remarkably, the annual average of revenue from aids in all the territories fell from 248,665 *livres* in 1430–3 to 211,817 *livres* in 1444–67, a decrease of 14.8 per cent. The chronicler Philippe de Commynes observed correctly that Philip the Good 'tailloit peu ses subjets'. The years between 1444 and 1467 indeed represent a 'golden age' of Burgundy in which the standard of living rose generally to a peak unequalled until the late nineteenth century.[43] Even so, there were significant differences in the average grant of aids between the different territories.[44] While accepting that Burgundy and Zeeland may initially have been overburdened, the gentle fiscal treatment of Brabant and Limburg, as compared with the

[41] ESFDB \block\nethg002 based on \nethd011; Zoete (1994).

[42] ESFDB \block\nethg003 based on \nethd012; Blockmans (1978); Maddens (1978), recalculated; ESFDB \block\nethg004 based on \nethd012 and \nethd013.

[43] Uytven (1961*b*); Scholliers (1975).

[44] In 1430–67, the average grant of aids increased (+) or decreased (–) by the following percentage points: Artois +3.19; Flanders +2.63; Holland +1.33; Hainault +0.99; Picardy +0.36; Burgundy –3.6; Zeeland –3.51; Brabant –1.01; Limburg –0.77.

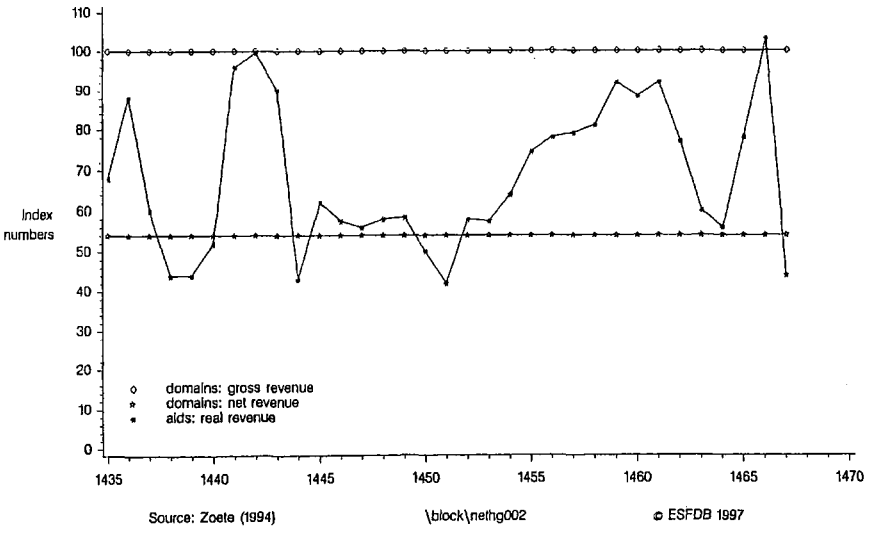

FIG. 8.10 Index numbers of total revenue from aids granted by the Burgundian States, 1435–67, compared with domain revenue (index 100 = 1445)

excessively heavy pressure on Holland, is hard to understand except in terms of the grace and favour of the ducal dynasty. Holland and Zeeland seem to have been overtaxed throughout the fifteenth century. Between them, the two counties contributed 24.8 per cent of the total revenue from the aids in the Low Countries for the decade 1420–9, yet they only started making contributions after 1426! These were years of war and unrest, but during the next period of calm (which lasted until 1443) their share actually rose, to 33.4 per cent. After 1443, Zeeland's share was reduced, but Holland's increased to 31.2 per cent of the total. The repartition of general aids fluctuated significantly for Holland and Zeeland between 27 per cent in 1471, 25 per cent in 1473, 30 per cent in 1493 and 41 per cent in 1497. Such fluctuations could not have been a response to economic growth or recession.[45] The impression of overtaxation is confirmed by Figure 8.13,[46] which shows considerable variations in the per capita fiscal burden of the aids. Though it is clear that the government had to deal gently with the population of Picardy (which would have had reason to seek a return to the sovereignty of the king of France if fiscal pressure became excessive), it is clear that it was unaware of the extent to which Holland was overburdened—a consequence of lack of information and the absence of tax resistance. It is thus clear why several

[45] Blockmans (1993).

[46] ESFDB \block\nethb009 based on \nethd009.

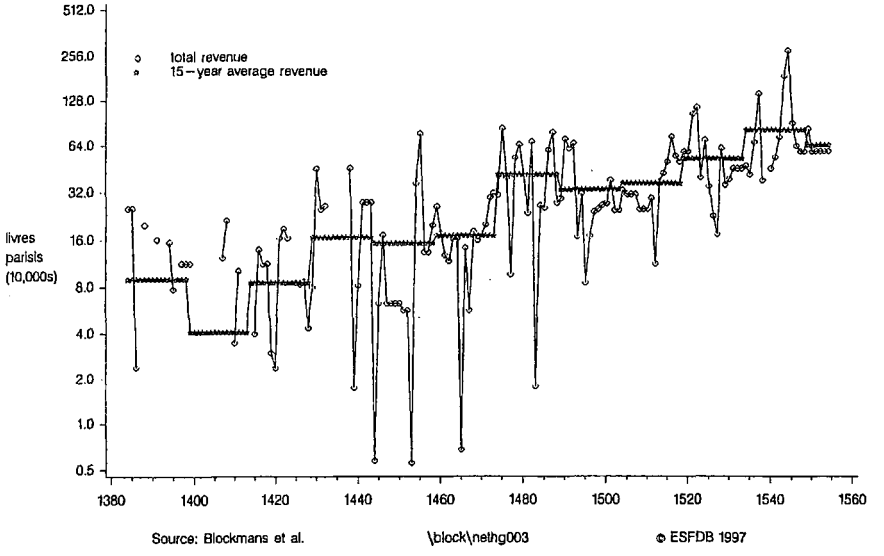

FIG. 8.11 Revenue from aids in Flanders, 1384–1554

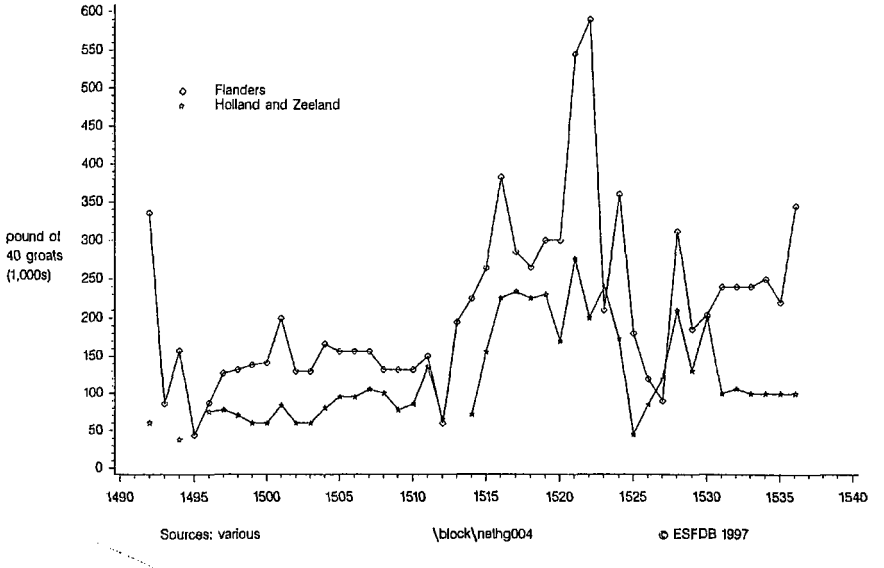

FIG. 8.12 Revenue from aids in Holland and Zeeland and in Flanders, 1492–1536

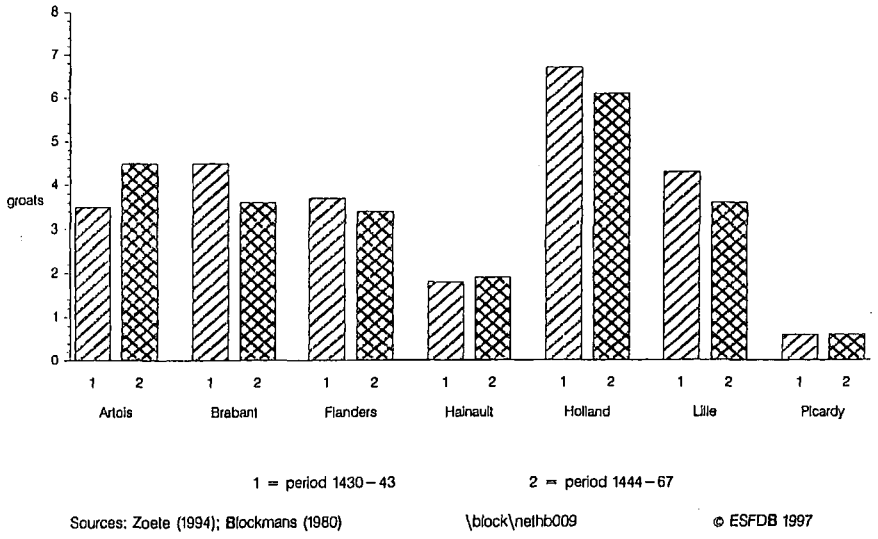

FIG. 8.13 Average per capita burden of the aids in the Burgundian state, 1430–43 and 1444–67

important cities in the county of Holland became bankrupt at the end of the fifteenth century.[47]

V

Although the Burgundian and Habsburg rulers in the Low Countries introduced new financial institutions (especially the *Chambres des Comptes*) which sought to control subordinate authorities and officers, their financial system remained far from integrated and centralized. They repeatedly attempted, but failed, to introduce a fair scheme of repartition within their territories. They also failed in their attempts to introduce permanent taxes on consumables and/or property. They did not secure control of their own domainal revenue, since local expenditure drained off almost half of it at source. It is clear that, after a period in which the institutional structure was strengthened, the central administration was on the retreat during the periods of external and internal war (1475–93, 1521–4, 1542–4 and 1552–9). An important symptom of the failure of the central administration to meet its own goals was the widespread practice of venality of office, which resulted from an increasing burden of debt placed on particular offices.[48] Various forms of corruption also eroded the hierarchy from within.[49] The government

[47] Marsilje (1988).
[48] Bos-Rops (1993), 319–31.
[49] Blockmans (1988); Boone and Brand (1991).

was forced to make regular concessions to claims from its subjects which weakened its financial control. The strength of the intermediary powers, especially the great cities (and feudal lords in areas such as Hainault, Luxembourg and Guelders) impeded the development of the powers of the state.

The cities took advantage of the lack of objective information for the measurement of taxable wealth, and in particular they prevented the taxation of foreign trade and commercial capital. Yet the urbanized 'core' provinces were clearly capable of sustaining sudden large increases in the burden of taxes and loans. The overall increase in taxation—from 0.5 million *livres* in 1445 to 1.2 million *livres* in 1531—and of the debt—which from 1538 onwards stabilized at about 1.4 million *livres*, but which then rose to 7 million *livres* in 1555—was mainly supported by the three 'core' provinces of Flanders, Brabant and Holland. They, and especially Brabant and Holland after the 1480s, were the most densely populated, urbanized and commercialized provinces. Between 1445 and 1471, the share of the aids granted by these three provinces rose from just over a half to about three-quarters of the total in the Low Countries, and it remained at this level even after Charles V's territorial acquisitions. During the war years 1535–8, the share of these provinces peaked at 86 per cent of total taxation. However important territorial expansion may have been to princes, the growth of the 'tax state' rested increasingly on the 'core' provinces, even if in other respects these provinces controlled much of the state's resources.

The immense variation between the territories within the relatively small area of the Low Countries is not merely to be explained by different levels of urbanization and commercialization. The rulers and their advisers were only vaguely aware of their territories' fiscal potential: this led to a relatively low burden in Hainault and an extremely high one in Holland, while in other regions the level of the aids compensated for a low income from the domains. The political influence of the States, and especially of the large cities, prevented the full implementation (and thus the success) of most of the government's schemes for establishing a more rational tax structure in the late medieval period. It was not until Alba's regime (1567–73) that there was a sustained attempt at fiscal innovation in the Low Countries. The widespread resistance provoked by these measures helped to broaden and deepen the revolt against Philip II's authority which eventually destroyed the Burgundian state that had been so painstakingly constructed in the later Middle Ages.

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CHAPTER 9

The United Provinces, 1579–1806

Marjolein 't Hart

Sir William Temple, the English ambassador to the United Provinces, referred to the system of public credit prevailing in that country in the seventeenth century in the following words: 'Whoever is admitted to bring in his money, [regards] it for a great deal of favour; and when they pay off any part of the principal, those it belongs to, receive it with tears, not knowing how to dispose of it to interest, with such safety and ease.'[1] This quotation illustrates the exceptional nature of the credit structure of the Dutch state in the early modern period. To a considerable extent, domestic investors voluntarily supported the public finances of their new-born state and they did so successfully, since the state, on the whole, borrowed the money it needed. In contrast, other states such as Castile and even France faced great difficulties in managing their debts and had to resort to forced loans from their own officers or other social groups, or to borrow from foreign bankers who charged high rates of interest for their services. Debt rescheduling operations were frequent occurrences elsewhere.[2]

The excellent reputation of the Dutch public finances lasted during the seventeenth century and most of the eighteenth. The dynamic economic development of this tiny country with between 1.5 and 1.9 million inhabitants favoured a stable financial system. The seventeenth century was the 'golden age' for the Dutch, with rapid capital accumulation; once the state gained its *de facto* independence from Spain after the 1580s, Amsterdam became the entrepôt of the Baltic, Mediterranean and colonial trade. Gradually, Amsterdam matured into the world's financial centre, a position which was only surrendered to London in the later eighteenth century.[3] It is not merely the position of the United

[1] Temple (1673), 130. This chapter was written during the author's stay at the Netherlands Advanced Institute for Social Studies in Wassenaar. The author is grateful to Dr Wantje Fritschy for her valuable comments.

[2] Bonney (1981), 274–6; Körner in Bonney (1995), ch. 14.

[3] Israel (1989).

Provinces in international trade which should be stressed. It was also one of the most commercialized and urbanized regions, situated as it was in the north-western part of the so-called 'city-belt' of Europe, which stretched from northern Italy to the Dutch–Flemish coast.[4] Seigneurial relations were relatively weak, while farming and the fishing industries were well developed.

The origins of the Dutch state may be traced back to 1579, when the Union of Utrecht established a federation of United Provinces, consisting ultimately of Holland, Zeeland, Utrecht, Friesland, Groningen, Gelderland, Drenthe and Overijssel. The independence of the United Provinces was safeguarded as long as their public finances flourished. However, in the eighteenth century the system started to show severe shortcomings, as the Dutch were unable to keep up with the more modern developments of mighty rivals such as France. In 1795, the country was invaded by French troops. Thereafter, Revolutionary and revisionist committees alternated in power, and in 1810 the Dutch state was annexed by France. In 1813, full independence was regained, and a monarchy was established (which controlled Belgium until 1830).[5]

I

During the era of the United Provinces or Dutch Republic (1579–1795), the highest authority in financial matters was the States General, the assembly of provincial delegates. This body served the purpose of gaining as much support as possible from the wealthy inhabitants of the territories, particularly during the long and costly Eighty Years' War against Spain (1568–1648). Yet in the long run, the representative system proved incapable of dealing with the exigencies of international competition. The constituent parts of the republic were preoccupied with their own financial burden. As majority outvoting was not allowed on the matter of fiscal innovation, the result was that the once-effective system of public finance failed to bring about improvements and to adapt to new external threats. The Council of State was the executive of the States General. One of its chief members was the provincial stadholder, formerly the representative of the Habsburg ruler, the highest dignitary of the state in the era of the Republic. This office came to be dominated by the princes of Orange.[6] As the head of the army and navy, the stadholder had considerable powers of patronage, yet he had little role with regard to public finance. The provinces paid him a salary, but for the maintenance of his court he had to rely upon his own domains.

A Chamber of Accounts was installed in 1607 to facilitate the central control of the States General, but its powers were limited. Accounts from those provinces which had promised to pay a proportion of the expenses of the Union

[4] Tilly (1990), 48. [5] Kossmann (1978). [6] Rowen (1988).

arrived with significant delays. Furthermore, the central institutions at The Hague were divided amongst themselves. The States General, Council of State and Chamber of Accounts were frequently involved in disputes over competence. No single institution supervised all the revenues of the Republic. For example, the accounts from the Admiralties (which collected the customs) were audited by the Chamber of Accounts while those of the 'generality' officers were audited by the Council of State; provincial accounts were controlled by the courts in the provinces themselves. The centre of decision-making was located in the provincial governments which had retained fiscal autonomy. The revolt of the late sixteenth century had elevated provincial power at the expense of the centre and the localities. Holland was more densely populated than the rest and was the wealthiest (and thus the most influential) province. Amsterdam was dominant in the provincial states of Holland, although it had only one vote against seventeen other cities. Thus within Holland, Amsterdam could not pursue its own policy without support from the other towns. Similarly, in the States General, Holland needed to find support among the other provinces. As a result, politics was characterized by continuous bargaining and coalition-making at all levels.[7]

It was the continuing pressure of war which held the union together. In comparison with other states, the Dutch were successful in paying their soldiers relatively promptly, which enhanced their military efficiency.[8] Even so, the military budget was high, as it was in most other early modern states (Table 9.1). The navy was less expensive than the army, and it may be argued that countries with a predominantly naval form of warfare were at an advantage over others which were reliant primarily on land armies. However, the army of the Republic was also sizeable—during the Thirty Years' War, the standing army rose to 75,000 men, and the increase was even more significant in the later wars against Louis XIV.[9] Conscription was a late development (in the Napoleonic period) and it was only then that military pay was removed as a significant item of the budget. The costs of administration were low. Provincial governments incurred some administrative costs, but at the level of the union only a few civil servants were employed (between 200 and 400). Bureaucratic growth, as a result, was contained. The sale of offices was prohibited, although it did occur on a limited scale in some local departments. The most remarkable feature in Table 9.1 is the increasing cost of servicing the (national) public debt. In *c.*1641, about 4 per cent was spent on debt charges,[10] but by 1801, this figure had risen to 41 per cent.

The prodigious growth of the Dutch debt was based upon a favourable

[7] 't Hart (1989*a*). [8] Zwitzer (1991), 82; Boxer (1965), 4.

[9] 't Hart (1993), 44; Bonney in Bonney (1995), 328, fig. 38.

[10] Yet these debt charges already cost 6 million guilders: Dormans (1991), 47.

TABLE 9.1 Annual budget of the Dutch Republic *c.*1641, and the Dutch state, 1801: percentage distribution of expenditure (excluding local and provincial expenses)

	*c.*1641 [%]	1801 [%]
Army and fortifications	61	30
Navy	26	15
Military expenditure subtotal	87	45
Debt servicing costs	4	41
Administration and miscellaneous	9	14
TOTAL	100	100
TOTAL (millions of guilders)	24	71

Sources: For 1641: 't Hart (1993), 62; for 1801: Fritschy (1988), 302

development in long-term provincial finance. First and foremost, the stock was based upon the credit of cities. They had issued the traditional life annuities (*lijfrenten*) and permanent loans (*losrenten*) since the late medieval period. Local receivers contracted these loans, the interest payments being funded upon the revenue of local taxes, mostly excises on beer. These credit instruments were used by the Dutch authorities until 1795, the cities acting as intermediaries for state loans. However, the new phenomenon of the sixteenth century, which has been termed a 'financial revolution',[11] was credit at a provincial level. After provinces had introduced their own taxes on land and excises, loans could be raised as well, with the revenue from provincial taxes as a guarantee. The credit of church authorities, on the other hand, almost disappeared after the confiscation of church possessions in the 1570s and 1580s. Loans issued by the Receiver General of the Union were a new feature after 1586. By the late 1590s these had grown sufficiently to represent something akin to a national debt. The loans on the revenue of customs, which were administered by the receivers of the five Admiralties in the Dutch Republic, were a further innovation. The East and West India Companies also issued loans, and the East India Company emerged as the first large-scale multinational corporation in history. Yet both companies acted as private enterprises and not as direct intermediaries for the state: this was comparable to the situation in other states which authorized monopolies for commercial companies.[12] Gradually, the more traditional *lijfrenten* and *losrenten*, the credit systems of the cities, were increasingly replaced by *obligaties*. These bonds were, in fact, semi-private in character. The receiver acted as a broker and

[11] Tracy (1985). [12] Gaastra (1982).

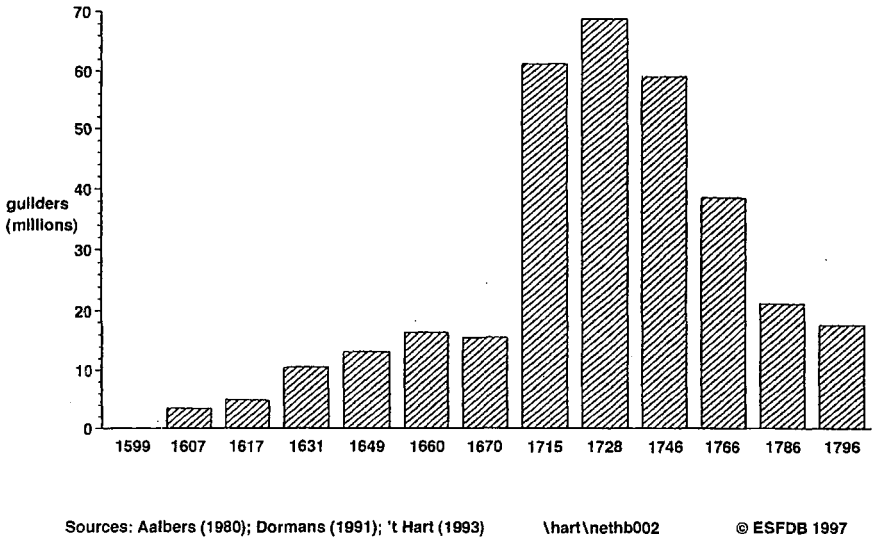

FIG. 9.1 The debt of the Generality of the Northern Netherlands, 1599–1796

banker, for which he was allowed to charge a fee. (In comparison, his late medieval counterparts had never been allowed to charge servicing fees for loans contracted by the cities.) *Obligaties* became the preferred kind of investment, since they were easier to transfer than *lijfrenten* and *losrenten*. They were used typically by receivers less bound by traditional regulations, such as the Receiver General of the Union, the provincial receivers of the western maritime regions, the receivers of the five Admiralties, and the receivers of the largest cities.

In all, the 'generality' (Union) debt stood in *c.*1618 at almost 5 million guilders (Figure 9.1),[13] with an annual cost of debt servicing which amounted to 318,113 guilders. The debt had more than doubled by *c.*1648 (to 13 million guilders), and by 1715 the total stood at 61 million. The stresses within the system were amply demonstrated: interest payments were halted for nine months during 1715. When payments were resumed, investors had to accept a reduction in the rate of interest from 4 to 3 per cent. Two years later, some of the debt was amortized, but the debt charge was still 2.7 million guilders. Although some of the debt was repaid, another suspension of payments was necessary in 1753. Thereafter, the amount was reduced considerably. In 1786, it stood at 21 million (with a debt charge of 677,091 guilders) and in 1795 the sum was 17.5 million.[14] The debt

[13] ESFDB \hart\nethb002 based on \hart\nethd004.

[14] Dormans (1991) 140, 147, 156; 't Hart (1993), 167; Aalbers (1980), 331.

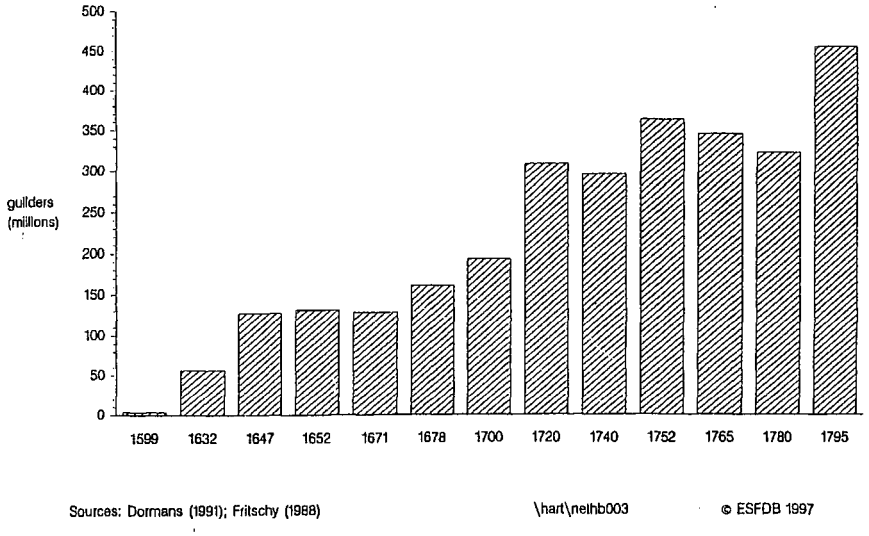

FIG. 9.2 The debt of the Province of Holland, 1599–1795

reduction at generality level was achieved through an increase in the contribution by the provinces, mainly by transferring the loans to the province of Holland. This province was viewed as the most creditworthy component of the Republic. Its careful management of the debt secured a steady willingness among the wealthy to invest in 'state' (that is, provincial) bonds. In return for the payment of the debt charges, Holland's quota to the common military expenses of the Union was somewhat reduced. Apart from the debt transferred from the 'generality', Holland issued its own loans, which were required to meet the recurrent deficit in the provincial budget. The nominal amount had grown astronomically to 200 million guilders by 1700 and increased still further in the eighteenth century (Figure 9.2).[15] The neighbouring provinces of Zeeland and Utrecht also amassed significant debt burdens, but not on the same scale as Holland.[16]

After 1795, the debts of the 'generality' and the provinces were amalgamated. In 1796, this sum amounted to 629 million guilders with an interest charge of 18 million guilders. The debts of the Admiralties and the semi-public East and West India Companies were added to this total, which was supplemented with fresh

[15] ESFDB \hart\nethb003 based on \hart\nethd005; Fritschy (1988), 40; Dormans (1991), 65–6, 80–1, 110–11; Rijksarchief in Zuid-Holland (RAZH) Financie van Holland (FH) 852.

[16] Fritschy (1988), 156.

loans: the total debt amounted to 950 million guilders in 1798. During the Napoleonic period new debts were added, with the result that the Dutch state was burdened with a national debt of 1,232 million guilders in 1814. (By 1810, this had been estimated at two and a half times the national income of the unified Northern Netherlands.) Following the annexation of the Northern Netherlands, Napoleon had reduced the total debt by two-thirds. In order to gain support from the *rentier* class, the new monarch, William I, decided in 1814 to reverse Napoleon's debt reduction. Financial stringency required the postponement of interest payments upon the reinstated two-thirds of the debt.[17]

II

With the steady growth of the debt, servicing costs increased so much that eventually they surpassed all other items (even military expenditure) in the budget (Table 9.1). Nevertheless, their damaging effects were not evident until the end of the eighteenth century, because of the relatively low interest rates prevailing in the earlier period. In the 1640s, the debt charges for the province of Holland amounted to 6.5 million guilders. Although in the following century the debt more than doubled, the interest charge did not rise above 14 million guilders. Only in the 1790s did the interest charge rise out of control: in 1794, debt servicing costs amounted to 17.2 million guilders. These figures suggest the severity of the financial crisis of the United Provinces towards the end of the *ancien régime*.

In the early years of the Republic, because of the uncertainty of the outcome of the struggle against Spain, interest rates in Holland, the most important province, had been quite high (rates of 8.33 per cent were common). The rate of interest was subsequently reduced to 6.25 per cent, and for much of the period interest rates in the Republic were notoriously low (Figure 9.3).[18] Rates fell to 5 per cent in the first half of the seventeenth century, while 4 and 3 per cent became common in the second half of the seventeenth century. The lowest point for interest rates (2.5 per cent) was reached in 1747, and this remained the usual rate of interest until the French occupation.[19] The interest rates for the 'generality' (that is, Union) loans mostly followed the Holland standard within a couple of years. The availability of money in this highly commercialized society provided ready sources of investment for the credit structure, although given the extremely low rates in the later eighteenth century Dutch investors looked eagerly to the possibility of investment abroad with greater risks but higher

[17] Dormans (1991), 165–6, 213. For the debt after 1814: Fritschy (1992), 215–36.

[18] ESFDB \hart\nethg002 based on \hart\nethd006.

[19] Houtzager (1950), 112–95; Fritschy (1988), 72.

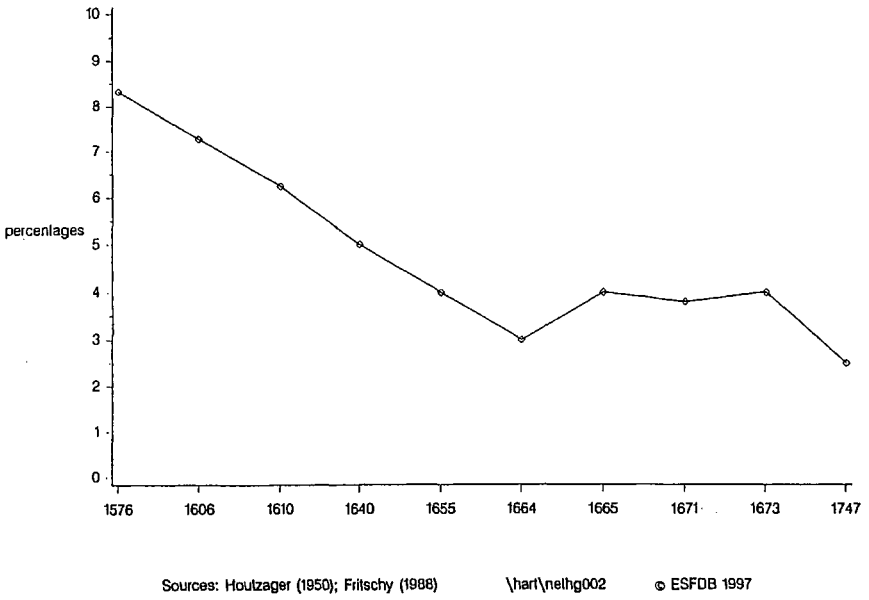

Fig. 9.3 Interest rates on government loans in Holland, 1576–1747

returns.[20] Even so, investment in the Dutch public debt continued, above all because it was regarded as safe and yielded significant revenues for investors.[21] The western maritime regions (Holland, Zeeland and Utrecht) led the way in credit administration, long-term bonds, security of interest payments and, as a result, the emergence of a confident investing community. Conditions for loans at the 'generality' and centre were much less favourable. Here the failure to impose central taxation (which could have guaranteed interest payments) was of crucial importance.

The ease with which taxes were levied depended on economic conditions and the system of political control. In the thriving parts of the Republic, where commercialization had advanced, taxes on consumption (excises) were easily levied, as were market duties such as poundage. Customs duties on imports and exports were highly profitable. However, the fiscal system of the inland provinces differed from the maritime regions. Excises were difficult to levy in the more agricultural eastern and northern regions. There, the tax structure resembled much of continental Europe, characterized by an emphasis on taxes upon land. A distinction should be drawn between the different categories of tax revenue according to the level of control: there were central revenues (that is,

[20] Riley (1980). [21] De Vries and Woude (1995), 149.

TABLE 9.2 Annual budget of the Dutch Republic: tax revenue categories, *c.*1641 and 1790

	*c.*1641 [%]	1790 [%]
Central revenues	0.8	1.0
Taxes from generality lands	5.3	3.7
Customs duties	12.2	5.4
Provincial taxes	81.8	89.9
TOTAL	100.0	100.0
TOTAL (millions of guilders)	22.6	38.3

Sources: Fritschy (1988), 305; 't Hart (1994), 136

revenues directly at the disposal of the Receiver General in The Hague); revenues from conquered areas (the 'generality' lands, controlled by the Council of State); revenues from trade (customs duties, collected by the Admiralties); finally, there were revenues from the provinces which were autonomous in fiscal terms. The general principle was that specific expenses were assigned to specific revenues. Costs of the Union government were supposed to be paid for by central revenues, with additional help from the taxes of the 'generality' lands. Costs incurred in the 'generality' lands were met by the taxes levied in the region, whereas costs of the navy were met as much as possible by customs duties. The bulk of military expenditure (on the army and fortifications) was defrayed by way of the taxes in the provinces, such funds being furnished in quotas to the Receiver General of the Union (Table 9.2).

Throughout the era of the United Provinces (1579–1795), the central revenues remained relatively stable. They consisted in 1641 of an excise (the 'generality' salt tax, together with some additional revenues from a stamp duty and from passports and safe-conducts). There was also a sporadic excise on beer and soap, a few tolls, and some irregular income from foreign subsidies. The proceeds from these items declined, and the total amount from central revenues was only stabilized through the introduction of a 'generality' lottery in the eighteenth century. No domains could be exploited by the Dutch state, although they had yielded a significant revenue in the 1550s. Many had been sold under Philip II in the later 1560s.[22] The domains of the stadholder were still considerable, but they were not controlled by the government at The Hague. The other domains were administered by the provinces themselves. The failure of the tax base to expand was one reason why the 'generality' loans of the late seventeenth and the

[22] Baelde (1963).

eighteenth centuries also failed to increase (Figure 9.1). Revenue from the 'generality' lands formed a second category. These reconquered areas were gradually annexed to the Republic (the annexation was formally recognized in 1648). The Council of State introduced new taxes (excises, stamp duties and land taxes), but the rates were low in comparison with the maritime provinces. Furthermore, it was difficult to increase the rates of tax, because of the fear of inciting revolt in these areas. In comparison with other categories of revenue, the proceeds from taxation in these areas actually declined in the eighteenth century.

Customs duties formed a third category of revenues. These were levied by the five Admiralties. Revenue from this source was considerable in the early period of the Republic, as a result of the growth of imports and exports. However, the figures were still low in comparison with the yield from excises and the land taxes in the provinces. Influential merchants lobbied to keep the rates of tax as low as possible, fearing that higher duties would jeopardize Dutch trade. Clearly, this liberal tax policy conferred significant advantages on the mercantile community in its rivalry with other European powers for the lion's share of international trade. Tariffs were levied at an average rate of between 3 and 5 per cent and were rarely increased. The result was that customs duties declined in importance in the budgets of the eighteenth century. The auditors of the Chamber of Accounts found it difficult to eliminate fraud, since the Boards of Admiralties were independent of central control, while low duties served to attract rich merchants to the local ports within the jurisdiction of a particular Admiralty.

The taxes administered by the provinces themselves formed a fourth category of revenues. Some of the tax yield was paid to the Receiver General of the Union for general military purposes, but other funds remained in the province itself and were spent directly on army payments and the administration of the province. These quotas constituted the largest portion of the revenue of the Union and they grew in importance between 1641 and 1790. In the provincial quota system the burden was distributed among the provinces according to their presumed wealth. Holland had the largest quota, virtually 60 per cent of the total (Table 9.3). The maritime-agricultural province of Friesland was second and Zeeland was third. Looking at the maritime-urbanized regions only (Holland, Zeeland, Utrecht), their contributions amounted to almost three-quarters of the total, and it was their economic structure which acted as the foundation for the Dutch Republic. Their commercialized societies allowed for considerable increases in taxation, which the inland provinces found difficult to match. The inland provinces resembled much of continental Europe, with a stronger emphasis on land

TABLE 9.3 The Dutch provincial quota system for financing the Generality, 1586–1792

Province	1586–94	1595–1604	1604–9	1609–10	1610–16	1616–58	1658	1792
Holland	64.2	59.75	55.75	57.4	57.14	58.3	52.25	62.0
Zeeland	15.8	14.6	13.6	12.5	9.1[a]	9.1	9.25	3.9
Friesland	13.3	12.4	11.5	11.6	11.5	11.6	11.6	9.3
Utrecht	6.6	6.4	5.75	5.75	5.75	5.75	5.75	4.5
Groningen	[—]	7.8	6.4	5.75	5.75	5.75	5.75	5.4
Gelderland	[—]	[—]	4.6	4.5	5.5	5.6	5.6	6.0
Overijssel	[—]	[—]	2.5	2.75	3.5	3.5	3.1	3.5
Drenthe	[—]	[—]	[—]	[—]	[—]	[—]	0.95	0.95

[a] Reduction in Zeeland's contribution negotiated in 1612

Sources: Israel (1995), 286, table 8 and sources cited there

taxes, which limited the size of the tax yield and obstructed the development of the tax system.[23]

III

The result was that tax burdens among the provinces were highly unequal, and the provinces varied greatly in their reliance on different taxes. Table 9.4 shows the distribution of the tax revenues in Holland. As might have been expected, indirect taxation predominated. In particular, excises came to be known as a typically Dutch form of tax. Samuel Pepys wrote in his diary in 1664 that Philips Warwick, the secretary to the Lord Treasurer,

> showed [him] a discourse of his concerning the Revenues of this and foreign States. How that of Spayne was great, but divided with his kingdoms and so came to little. How that of France did and doth much exceed ours before for quantity, and that it is at the will of the Prince to tax what he will upon his people; which is not here. That the Hollanders have the best manner of tax, which is only upon the expense of provisions, by an excise . . .[24]

However, in the course of the eighteenth century there was a noticeable shift towards direct taxation, which was a result of the imposition of additional property taxes. This move was necessary: by the early eighteenth century it was evident that in Holland a limit to the rate of increase in indirect taxes had been reached (Figure 9.4).[25] Most indirect taxes were farmed out on short leases covering relatively small districts. This ensured that the Dutch tax farmers never

[23] Israel (1995), 289–90. [24] Pepys (1972 edn), v, 68.

[25] ESFDB \hart\nethboo4 based on \hart\nethdoo7.

TABLE 9.4 Distribution of Holland's revenues by category of revenue, 1600, 1640, 1661–7 and 1790

Revenue category	1600 [%]	1640 [%]	1661–7 [%]	1790 [%]
Direct (land and house taxes)	30.6	22.3	30.9	43.9
Indirect (excises and customs)	63.9	70.9	56.8	43.1
Stamp duties and other	5.5	6.7	12.3	12.9
TOTAL	100.0	100.0	100.0	100.0
TOTAL (millions of guilders)	3.6	10.8	11.0	25.4

Sources: 't Hart (1993), 138; Fritschy (1988), 67

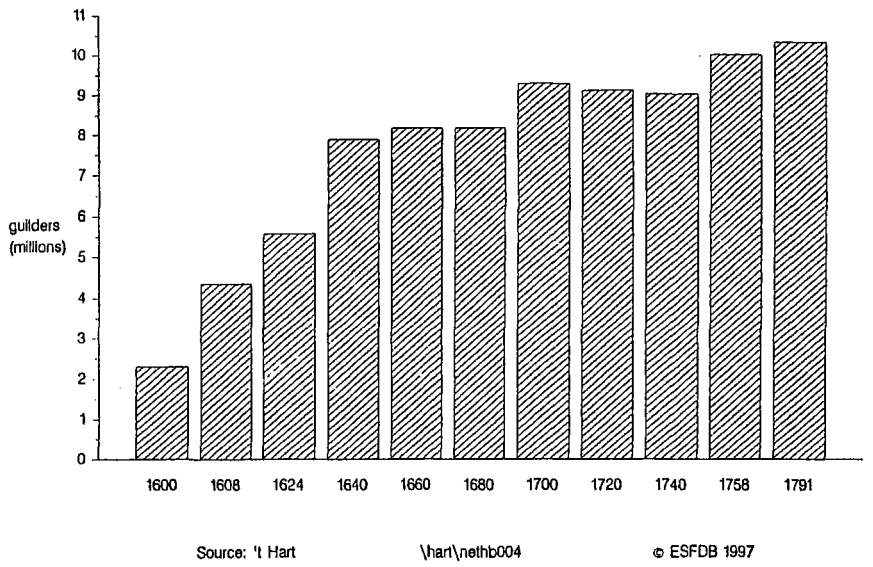

FIG. 9.4 Revenue from farmed taxes in Holland, 1600–1791

gained a similar position to that of the French *fermiers généraux*. Mostly, they were men of moderate means, belonging to the artisan class or to the retail trades. Popular unrest in the 1740s caused a change in the system of collection. Henceforth, several excises were levied through appointed collectors. Likewise, the direct taxes were imposed by civil servants under the control of local communities. The land tax was levied at a flat rate of one-fifth of the rental value. The overall load of taxation was regressive, burdening the lower classes in

particular and undertaxing the higher income groups. In the case of the indirect taxes which were farmed out (Figure 9.4), 83 per cent of the total income came from taxes upon necessities (corn, beer, salt, peat, woollen cloth) in 1700, whereas the taxation of luxury items (such as wine, tobacco and luxury textiles) yielded only 17 per cent of the total income from this source.

However, reforms brought about an increase in the duties levied upon luxuries and new taxes on conspicuous expenditure such as the keeping of servants. Several excises (such as the duties on wine, salt and soap) were imposed according to property registers, and the yield of taxes upon necessities fell from 83 per cent earlier in the century to 66 per cent in 1790. By the eighteenth century, the tax burden had become proportionately heavier on the wealthier 30 per cent of households in Holland than on the poorer 70 per cent of households.[26] This shift away from indirect taxes was reinforced by a reform in the land tax, a new tax upon office-holding, and the introduction of regular property taxes for the so-called 'capitalists' and 'half capitalists'. The distinction between the two groups was according to the amount of property held: 'half capitalists' owned between 1,000 and 2,000 guilders, whereas 'capitalists' had assets valued above 2,000 guilders. The latter paid the full rate of the extraordinary 1 per cent or 0.5 per cent taxes. Those with property valued at under 1,000 guilders were exempt from these additional levies. Even so, the flat rate nature of these new taxes continued to underassess the wealthiest households.

Tax policies in Zeeland and Utrecht paralleled those in Holland, although the rates of the property taxes were higher. The inland provinces scarcely introduced any new taxes at all during the lifetime of the Republic and the central government lacked the authority to force them to do so. It became increasingly obvious that the 'core' provinces, above all Holland, had to bear most of the tax load. In the maritime western provinces, the per capita burden of taxation was considerable.[27] Table 9.5 shows the nominal increase in the fiscal burden for the inhabitants of Holland over the seventeenth and eighteenth centuries. This should be regarded as an increase in real terms: although there was some price inflation between 1600 and 1620, prices hardly rose between 1620 and 1790, while wages stagnated. As long as the economy expanded, the people seemed well able to bear the burden, but already by 1742 taxation appropriated approximately 15 per cent of the per capita income in Holland. By 1790, the per capita tax burden in Holland was 31.8 guilders, while the average for United Provinces as a whole was only 19.3 guilders.[28] The urban population of Holland contributed most by way of taxation.

[26] De Vries and Woude (1995), 143.
[27] Wilson (n.d., 1969?); De Vries and Woude (1995), 129.
[28] De Vries and Woude (1995), 124.

TABLE 9.5 Incidence of taxation in Holland, 1588–1790

	Population [000s]	Tax yield [*f*000s]	Incidence per capita [*f*]	Incidence per capita [*f*][a]
1588	496	3,400	6.87	10.90
1599	550	4,600	7.27	9.42
1624	672	7,200	10.71	10.71
1653	800	10,500	13.13	9.85
1675	880	16,500	18.75	16.70
1697	860	21,700	25.23	21.00
1725	821	19,300	23.51	22.28
1750	783	22,000	28.10	25.79
1790	783	24,900	31.8	23.67

[a] Deflated (1624 prices)
Source: De Vries and Woude (1995), 124

The peripheral provinces paid less than Holland, notably the eastern provinces (Gelderland, Overijssel and Drenthe). The inhabitants of Overijssel in 1790 paid only about 4 to 5 per cent of their per capita income towards taxes.[29] As for the conquered areas of the Dutch Republic (North Brabant and parts of Flanders and Limburg), they were taxed even more lightly, because of the fear of encouraging separatist movements. As in several other countries, tax revolt was a possible response.[30] Yet, given the very significant per capita tax burden, there was relatively little revolt.[31] Population growth ceased in the seventeenth century. Gradually, in the eighteenth century, the economy began to stagnate as the Dutch lost their primacy in international trade. The difficulties encountered in attempting to sustain any real increase in taxation in the eighteenth century severely restricted Dutch political ambitions.

IV

The apparent fiscal limits of the Dutch Republic in the eighteenth century in turn affected the management of the debt. Earlier practice had been to increase excise duties in order to provide secure funding for additional loans. But the emphasis on regional and local autonomy in taxation impeded the continued growth in loan revenue during the eighteenth century. Most of the new loans had to be repaid by the province of Holland, while the contributions from the other provinces remained modest, except when emergency measures—such as extraordinary property and capitation taxes and forced loans—were enacted.

[29] Fritschy (1990), 64. [30] Dekker (1982).
[31] Veenendaal in Hoffman and Norberg (1994), 133.

Plans to reform the Dutch financial system were voiced by Van Slingelandt in 1719, by Bentinck in 1748, and by Van der Spiegel in 1792; but their schemes failed.[32] The only solution was the fiscal unification of the territory, which was put into effect in 1798. An overall reform of the fiscal system for the Northern Netherlands was achieved in 1806 by Isaac Gogel, the Minister of Finance. New taxes were introduced, the most important being the licence fee (*patent*). A general increase of the fiscal burden was achieved by spreading the rates prevailing in Holland to the other provinces, thereby removing the fiscal autonomy of the provinces. Gogel thus succeeded in increasing the total tax revenue from 39 to 46 million guilders. Per capita, the tax burden was approximately 20 to 22 guilders a head and was equivalent to 13 per cent of the national income.[33] However, the increased revenue from taxation was insufficient to meet increased expenditure, and the public debt continued to increase.

Despite some difficulties in maintaining public credit after the War of Spanish Succession (1702–13), for most of the period until the 1780s, the public finances of the Republic contrasted favourably with other contemporary states, mainly as a result of the relative stability of its financial institutions. It was only in the 1790s that these collapsed, but the main consequence of this vast increase in the public debt was the emergence of a *rentier* class. Many large and small investors came to invest in state loans. A breakdown of subscriptions to the Receiver General in 1649–50 showed a large portion (48 per cent) of creditors with investments of up to 1,000 guilders. Investment was widespread: over two-thirds of investors lent 2,000 guilders or less. Members of the 'middle' classes, and even servants, were among the subscribers.[34] The *rentiers* were obviously not restricted to the elite of the political leaders, officers and wealthy merchants, as was the case in many other states. By the 1790s, little remained of the favourable financial situation of the United Provinces a century earlier. Its inhabitants remained wealthy (at a national level, their per capita income was surpassed only by the British in *c.*1800), but the state itself faced permanent deficit and even bankruptcy in the period up to 1815.

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CHAPTER 10

The Swiss Confederation

Martin Körner

Until recently, research on public finance in Switzerland has concentrated almost exclusively on the urban republics.[1] The accounts of the rural republics have either been explored in a limited way or have not yet been studied. For some of the Swiss states financial analysis has hardly started. Before we can consider financial structures and, in particular, the development of the fiscal system in the states of the Swiss Confederation from the Middle Ages until the end of the *ancien régime*, it is essential to outline briefly the stages and salient features of the formation of the seprate Swiss territorial states. For it is only in the light of the distinctive features of their development that their finances can be understood.

The distinctive character of the political institutions of medieval Switzerland lies in the increasing hegemony of the urban and rural communes over the nobility. Between the thirteenth and sixteenth centuries (strengthened by alliances, whether short lived or longer lasting) both towns and some peasant valleys, followed by a combination of towns and free rural communes, succeeded in overcoming the influence of the lower- and middle-ranking regional nobility. They also held at bay the great European dynasties which aimed to absorb parts of Switzerland into their own territorial states. The dynasties which were most in evidence, although they were eventually eliminated from Swiss territory, were those of the counts of Zähringen and Kyburg, as well as the dukes of Habsburg, Burgundy and Savoy. The only princely states in existence in the sixteenth century were the county of Neuchâtel, and the two ecclesiastical principalities of the abbey of St Gallen and the bishopric of Basle, which were associated with some of the states of the Swiss Confederation and viewed as their protectorates.

[1] The author and the Editor thank Dr Juliet Vale for translating this chapter. The title should be taken to mean 'the states of the Swiss Confederation' since there was no central fiscal system. [Ed.].

However, the nucleus of Switzerland between 1300 and 1798 consisted of a group of urban and rural republics, progressively linked by a complicated system of bilateral and multilateral alliances in perpetuity. The towns carried increasing political and economic weight in both domestic and foreign affairs, which provoked a deep-rooted opposition from the rural republics. In this confederation of little states, Berne had become the largest republic north of the Alps by the sixteenth century. On an international level, the sovereignty of the Confederation was finally recognized from the mid-seventeenth century onwards and was referred to in various ways (as 'Switzerland', the 'League of the Swiss', *Corpus Helveticum*).

The federal Diet of the Confederation of the thirteen cantons, the main core of medieval Switzerland, should not be viewed as a central government. Rather, it was a congress of ambassadors from the cantons, which required unanimity on all issues of common foreign policy and, additionally, ratification by each of the thirteen republics. Only the administration of the common *bailliages* (concerning possessions, territories, shared subjects) was decided by a majority vote at the assembly of the governing states. From the sixteenth century, Zurich's precedence in the federal Diet was unanimously acknowledged. But no attempt at centralization (by, for instance, the fusion of different alliances into one single alliance; or the creation of a shared command for the defence of Swiss territory in time of war) met with the unanimous agreement of the Swiss republics. As a result, there was no 'central' fiscal system.

The institutional distinctiveness of medieval Switzerland thus lay in the fact that it was a confederation of sovereign urban and rural republics at a time when Europe was principally monarchical in character. The republics had a shared organization centred on a federal Diet, several regional Diets and (after the Reformation) even religious Diets. Despite the confederal structure and the virtual non-existence of a central government, the system of Diets and the fact that practical demands in the political sphere often required joint action gradually gave birth to a common identity. This took final shape in the eighteenth century in the patriotic movement of the Helvetian Society and, between 1798 and 1802, in the single and indivisible Helvetian Republic.[2]

I

With only a few exceptions, public finance and economic policy always fell within the jurisdiction of each sovereign republic. The economic and social life

[2] *Handbuch der Schweizer Geschichte* (1972–7); *Nouvelle Histoire de la Suisse et des Suisses* (1982–3); Peyer (1978); Im Hof (1984); Ammann et al. (1951–8). For Swiss economic history: Bergier (1990).

of the towns required the establishment of councils which initially had few members and occupied a position midway between the General Council (an assembly of the citizens or *bourgeois*) and the lord of the town (whether a count, duke or bishop). Noble and ecclesiastical lords were virtually eliminated from any political role in the towns between the thirteenth and the sixteenth centuries. Finally, the majority of towns had a Great and a Small Council, which were the sole representatives of legitimate authority in both domestic and foreign affairs. Since elections were generally by co-option and for life, each council was self-perpetuating. Townspeople (*bourgeois*), organized into corporations or associations of wards (*sociétés des quartiers*), no longer had any influence on the future composition of the councils and saw their opportunities to participate in the political decisions of the town disappear.

From the seventeenth century onwards, the number of townspeople sitting in the councils and participating in political decisions was reduced. In the end, legitimate authority was wielded only by the oligarchy of the Small Council, which generally met daily and held virtually exclusive power. At best, the assembly of citizens continued to ratify, on the day of the annual swearing-in, decisions already taken by the councils concerning war, peace and extraordinary taxes on wealth. In the rural republics, the essential decision-making authority was also increasingly monopolized by the councils, which generally sat more frequently in the course of the year than the ordinary assembly of freemen which only met once. Nevertheless, the freedom of speech and action of this regional community (*Landsgemeinde*) was never checked as much as in the citizens' assembly in the towns.

Some Swiss towns not only succeeded in overcoming the domination of powerful regional dynasties in the course of the later Middle Ages, but also successfully imitated them in state formation. They employed the usual means of purchase, succession agreements, war, usurpation, confiscation and so on. In the course of time, this enabled them to accumulate the rights necessary for the formation of a territorial state and sovereignty at home and abroad, as well as all the fiscal implications associated with the acquisition of these various rights.[3] The territory subject to the city of Lucerne was fully established by the end of the fifteenth century. The territories of Berne, Fribourg, Solothurn, Basle, Schaffhausen and Zurich were essentially completed in the course of the sixteenth century, while St Gallen and Geneva had to wait for the reorganization of the political map of Europe in 1814 before they could add real territory to the political sovereignty which they had acquired in the fifteenth and sixteenth

[3] These were rights such as direct Imperial jurisdiction (*immédiaté impériale*), regalian rights, high and low justice, Imperial *bailliage*, the right to enact and prohibit, responsibility for preserving peace in the region, and the right to arbitrate in conflicts between inhabitants.

centuries. Only these nine towns can be called sovereign urban republics. Of the other numerous Swiss towns, some were either wholly or partially subject to (or incorporated into) one of these nine; others (such as Neuchâtel and Porrentruy) were used as the residence of a prince or governor; while yet others (Sion, Chur and Zug) had to share authority with a number of communes and free, non-subject, rural valleys.

The achievement of the valleys which we call 'rural republics' was twofold: the acquisition of direct Imperial jurisdiction and their refusal to allow any other authority, whether that of a prince or one of the urban republics, to seize power. The Swiss valleys were not all successful in escaping the territorial ambitions of other rulers, but Uri, Schwyz, Unterwalden, Glarus and the communes of the Zug area secured their sovereignty at the same time as the urban republics of the Confederation. There were also fifty or so communes that made up the League of the Grisons (*Graubünden*) and the *obere Zenden* or *Dizains supérieurs* of the bishopric of Valais which became a federal republic in the seventeenth century.

The Swiss states of the later Middle Ages had to develop their institutions, legitimize their authority and form coherent territories. These changes occurred at the level of the region through the development of legal and territorial rights: a central authority appeared only in an embryonic form at the end of the eighteenth century. This chapter will concentrate almost entirely on the financial administration of the urban republics which became the dominant political force in the Swiss Confederation until the end of the *ancien régime*. The evolution of the administration of the urban republican states in Switzerland passed through four broad stages. Firstly, an urban form of administration was established. A second development was the expansion towards a territorial form of administration. The third stage was a tendency towards centralization and homogenization. The fourth, and final, stage was the arrival of the 'modern' bureaucratic state.[4]

The form of administration of the urban communes was at first rudimentary. It was directly related to their autonomy, that is to the public functions which the citizens and their councils exercised within their city walls. At Geneva and at Basle, for instance, where power had for a long time been in the hands of the bishops (as lords of the towns), the administration of the commune developed at a similar pace to the town's emancipation from overlordship. Analogous developments can be observed at Zurich, St Gallen and Schaffhausen, where the communes had to escape the tutelage of an abbey, whose effective power declined over the course of time. Fribourg and Lucerne remained territorial towns under Habsburg control, before they finally escaped (Lucerne achieved

[4] See the histories of the Swiss Cantons cited in the bibliographies of the works in n. 2.

this earlier than did Fribourg). However, the administration of their communes also developed in relation to the growth of public functions both within the town and outside it. Only Berne had enjoyed a large measure of freedom from as early as the twelfth century, which enabled it to establish an administration free from the limits imposed by other competing authorities.

Each administration first began by issuing charters and liberties and dealing with local affairs. Administrative responsibility was also linked to the control of expenditure and revenues. The exercise of jurisdiction over artisans and merchants required payment for the jurymen financed by fines and confiscations. The construction or extension of the town walls could be financed by levying taxes on wine, beer, corn and meat sold in the market. The towns came to acquire the right to levy contributions or tolls and customs duties to pay for other aspects of an economic infrastructure, such as covered markets, stalls, warehouses, mills, bridges and so on. But the upkeep of common land and the salary of those responsible for horses and cattle taken to summer pasture were also costs (though not very significant ones), and these were met from contributions levied according to the number of animals put out to pasture. Finally, extraordinary expenses (such as the costs of war or the acquisition of rights and revenues) had sometimes to be financed by a tax on the wealth of the citizens.

The territorial acquisitions of the period between the fourteenth and the sixteenth centuries meant that the form of administration had to adapt to new circumstances. Analysis of the methods of record-keeping, and in particular of the public accounts, reveals that administrative reforms not infrequently took place after periods of territorial expansion: for example, after the conquest of the Aargau in 1415, after the Burgundian wars in 1474 and following the conquest of the Pays de Vaud in 1536. Until the beginning of the sixteenth century, the administrative response to this expansion was flexible, taking account of the law and current regional customs. Both frontiers and the institutions of the new *bailliages* were recognized and respected. Although the *bailli* was generally a representative of the council of the ruling town, he governed in the name of the sovereign republic, relied on the existing regional institutions, and surrounded himself with a council of sworn members (*jurés*), who were theoretically elected or nominated for election by the communal assemblies of the subject rural communities or towns.

With the advent of the Reformation and the beginnings of more absolutist political doctrines, there was a drive towards administrative centralization and homogenization. The administrative machinery of the state grew as a result of the confiscation of ecclesiastical property and the assumption of responsibility for the expenses of the Reformed Church and for schools (above all, public

charity schools and those devoted to the training of pastors). The period was marked by an increased number of officials responsible for the administration of monastic possessions in the capital and the countryside. Certain financial procedures were also rationalized and reorganized: for example, the collection and use of some former ecclesiastical revenues were entrusted to the secular *bailliages*. However, this was also the period when government practice tended to standardize relations with its subjects through more systematic codification of laws and customs, as well as increasingly strict regulation of the conduct of the population in its day-to-day life. Sumptuary edicts and economic and judicial decrees were communicated to the citizens and the subjects by the *baillis* and pastors. Some attempt was made at removing inequalities in the rates of taxation which had been inherited from older political structures and certain new taxes were also introduced.

Finally, from the mid-seventeenth century, the Swiss republican state acquired a more bureaucratic character, whilst avoiding the extremes of office-holding in neighbouring monarchical states such as France. The administrative councils greatly extended their activity: a larger number of offices became available to members of the ruling families. The creation of numerous administrative councils to settle the accounts, establish a budget, audit accounts and carry out numerous other statistical investigations and Cameralist-type activities—Cameralist theories had a considerable influence on government practice in Switzerland—created opportunities for the employment of an urban magistrate's son, nephew or cousin and for such individuals to secure a share in the revenues of the state. Overall, the Catholic urban republics developed along similar lines, but the process was less intensive than in those republics which had undergone a Protestant Reformation.

In the Swiss Confederation, the urban republics thus followed a middle course between monarchies and rural republics. Monarchies practised a more rigorous form of Cameralism in the principalities and kingdoms of Germany or of Mercantilism in the case of absolutism on the French model. In rural republics, a few rich and influential families regularly shared the principal public offices between them. This development was further encouraged by the small size of the territory and the small number of administrative posts available in the subject *bailliages*. The establishment in embryo of the permanent functions of the state in the rural Swiss republics is symptomatic of the communes' concept of the common weal (*la chose publique*). The communes of the Alpine valleys had retained the corporate character of the administration of common property (whether pasture, alpine hills, forests, lakes and rivers, bridges and roads). Income and expenditure were regularly shared and the profits paid to the rural citizens of the valley. Each citizen had to supply his share of days of forced

labour for the common good. The accounting system (under which payments were usually made in kind rather than in money of account) was entrusted to representatives of the chief families of the commune. The state infrastructure of the rural republics never developed beyond a rudimentary stage, and even in the urban republics it was relatively underdeveloped. The reason for this was the fundamental principle of militia service, which regulated all state functions. The work of the councils, the judicial system, the administration of *bailliages*, maintenance of roads and bridges, provision of water supplies, levying of taxes, domestic and foreign security (that is, law and order, and the army), and the diplomatic service, all conformed to the militia principle. The Swiss republics never maintained a standing army, and it was not until the eighteenth century that there were gendarmeries in the countryside to patrol the rising numbers of poor and vagrants.

The lack of a princely dynasty spared the republics lavish expenses for the upkeep of the ruling family and the building of châteaux. Prestigious building projects, such as the construction of town halls, markets and cathedrals, remained within the financial capacities of each republic. Even in the urban republics, the ruling class viewed the 'state' in terms of a collective enterprise which had to be managed carefully for the common good. The common good was, of course, an amalgam of the interests of different social classes, some of whom profited more (sometimes much more) than others, as a result of social and juridical inequalities; but generally speaking waste was forbidden, economies were encouraged, well-kept accounts were considered essential, collective foresight was an obligation on all, and a treasury filled with gold and silver was consequently a necessity.[5]

II

Analysis of the trends in public expenditure must take account of this republican concept of the state. The state had to be properly managed, but the Swiss urban republics also sought to obtain additional revenues by investing in economic activity. The statistical material assembled in Table 10.1 demonstrates that in almost every urban republic the proportion of expenditure spent on state administration increased with the passing of time.[6] At Basle, this proportion rose from around 7 per cent in the fifteenth century to 15–16 per cent in the sixteenth and seventeenth centuries, and to 38 per cent in the eighteenth century; at Lucerne,

[5] Körner (1988, 1989*a*, 1994).

[6] In addition to the author's own publications, the following works have been of assistance in preparing Table 10.1: Welti (1904); Harms (1909–13); Schönberg (1897); Saxer (1923); Frey (1910); Hüssy (1946); Rosen (1989); Monter (1964); Wehrli (1944); Mauersberg (1960).

TABLE 10.1 Expenditure in the Swiss Republics

City Total (in 000s)	Year or decade	A %	B %	C %	D %	E %	F %	G %
Basle 23.9 fl	1402–1500	7.5	7.9	—	5.6	34.9	17.7	—
Basle 31.6 fl	maximum	10.4	19.9	—	10.7	43.3	30.3	—
Basle 17.4 fl	minimum	5.1	3.2	—	3.1	26.3	5.5	—
Berne 6.9 fl	1437	54.0	4.0	4.0	25.0	7.0	5.0	1.0
Berne 6.4 fl	1444	41.0	4.0	1.0	19.0	20.0	14.0	1.0
Lucerne 2.9 fl	1421–5	—	—	—	32.6	—	—	—
Lucerne 9.1 fl	1481–5	—	—	—	52.0	—	—	3.5
Fribourg 11.3 éc	1501–1610	25.5	5.0	0.6	28.5	17.1	13.1	10.2
Solothurn 10.3 éc	1501–1610	14.8	2.4	0.8	13.1	17.8	32.2	18.9
Basle[1] 22.0 éc	1501–1610	16.4	4.8	0.3	22.4	26.8	13.9	15.4
Schaffhausen 8.5 éc	1501–1610	16.9	10.1	0.4	37.4	5.7	8.2	21.3
Zurich[2] 19.2 éc	1501–1610	15.0	7.4	12.2	31.3	6.9	4.0	23.2
Lucerne 8.8 éc	1501–1610	24.0	3.5	0.2	34.0	0.0	0.2	38.1
Lucerne 16.7 éc	1581–4	49.4	2.9	2.7	30.4	0.0	0.0	14.6
Freiburg 20.0 éc	1601–10	16.5	3.7	0.5	11.1	16.3	10.8	1.6
Solothurn 20.0 éc	1601–10	13.3	2.7	0.3	9.0	0.3	41.2	33.2
Basle[1] 26.7 éc	1601–10	15.1	2.5	0.0	23.0	22.1	34.1	3.2
Schaffhausen 13.1 éc	1601–10	23.6	15.9	0.2	34.6	4.8	11.9	9.0
Zurich[2] 32.0 éc	1601–10	14.7	10.8	10.7	31.3	12.5	7.3	12.7
Lucerne 13.4 éc	1601–10	22.9	5.7	1.3	34.0	0.0	0.0	36.1
Lucerne 7.0 db	1681–5	49.5	5.6	4.6	10.5	0.0	0.0	19.8
Lucerne 8.5 db	1691–5	39.5	18.3	3.8	10.9	0.0	0.0	17.5
Berne[3] 25.0 db	1682–7	53.0	2.0	20.0	21.0	0.0	2.0	2.0
Berne[3] estimated	1766–70	62.1	8.0	20.7	9.2	0.0	0.0	0.0
Lucerne 13.6 db	1781–5	39.2	10.9	5.2	30.3	0.0	0.6	13.8
Basle 58.2 db	1781–5	33.1	7.0	12.6	42.5	0.0	0.0	0.0

Notes:

A Administration; consumption of goods and services
B Internal and external security
C Welfare payments (*transferts sociaux*)
D Building, purchase of rights and revenues
E Interest payments
F Amortizement of the public debt
G Loans and financial investments

TOTAL:

fl (gold Rhineland florins). 2.5 g/ore
éc (gold *écus au soleil*). 3.33 g/ore
db (Spanish doubloons). 6.1 g/ore

[1] Basle and Schaffhausen: public accounts only, without ecclesiastical possessions

[2] Zurich: including ecclesiastical administration. Total expenditure of the central treasury increased by one-third (estimated share of expenditure accounted for directly in the *bailliages* and associated administrations)

[3] Berne: figures derived from sampling and extrapolation

it rose from around 24 per cent in the sixteenth century to a figure that was usually above 40 per cent in the following centuries; at Berne, it rose from at least 40 per cent in the fifteenth century to a minimum of 60 per cent in the eighteenth century. The differences between the republics seem to reflect the relative size of their territories. But the general increase in expenditure upon political and administrative personnel and the public consumption of goods and services confirms the view that the expansion of the administrative machine was the cause of these high overall costs at the end of the *ancien régime*.

The proportion of expenditure allocated over the centuries to investment in land and public works (such as the maintenance of roads and bridges) was located between maximum figures of 34–52 per cent and minimum figures of 5–13 per cent. Apart from works connected with regular repairs, the great building ventures came in response to the economic and political climate, population growth and the development of a policy of provisioning. These three factors guided governments in their decisions about building and enlarging markets, warehouses, granaries, churches and fortifications, or improving and modernizing roads and bridges. Private craftsmen involved in building works and the maintenance of buildings profited to a greater or lesser extent from commissions obtained from the state, depending upon the attitude to public works then prevailing.[7]

Even if we only retain the lowest figures for internal and external security, there is a surprising consistency: the amount spent on security was generally about 5 per cent of total expenditure, and the figure was only slightly higher in the eighteenth century. Military organization was still rudimentary in the Swiss Confederation until the mid-seventeenth century. Dutch-inspired military reform only began to influence mercenary officers from Zurich and Berne, for example, in the period after the Thirty Years' War.[8] After this date, there was a tendency towards more modern weapons, shorter intervals between inspections and longer periods spent on exercises and manoeuvres. Moreover, the noticeable increase in the number of vagabonds in the countryside prompted governments to strengthen the manpower of the gendarmerie units, resulting in a slight increase in expenditure on security. At exceptional moments security costs might rise to 20 per cent of total expenditure—as at Lucerne in the course of the last decade of the seventeenth century, when there was a particular drive towards rearmament. During the short but sharp wars for hegemony in the Swiss Confederation (1653, 1655 and 1712), Lucerne's average military expenditure rose respectively to 77.3 per cent of total expenditure in the 1650s and 40 per cent in the 1710s.[9]

[7] For the application of the results of the author's analysis for the state of Lucerne to the Swiss Confederation as a whole: Körner (1981*a*), 333–47.

[8] Walther (1979); Stüssi (1982).

[9] Körner (1981*a*), 235–43.

In the fifteenth century such a scale of military expenditure was a consequence of war rather than rearmament, as is reflected in the accounts of the city of Basle.[10] As a general rule, however, the Swiss had very short military campaigns until the Italian wars. The urban and rural republics were able to appeal quickly to their infantry militias to counter enemy attacks, to go to the aid of their Confederates and their allies, or to occupy territory. The great battles of the fourteenth and fifteenth centuries were conducted and won in this way, resulting in territorial conquest or the payment of compensation from those who had been defeated.[11] From the mid-fifteenth century, the Swiss increasingly went to war in the pay of the kings of France and other European princes. After the outbreak of the Italian wars, and especially after Marignano in 1515, the Federal Diet tried to regulate service abroad and (at least in one apparently unsuccessful instance) to place it under federal control.

The majority of agreements for the employment of soldiers to serve abroad as mercenaries from the time of the military alliance concluded with Francis I (1516) were in the form of collective contracts. These contracts contained a clause stipulating that the Swiss retained the right to recall their troops, should they be needed at home for the security of the Confederation. None of the princes who employed the Swiss as mercenaries therefore had any interest in seeing them at war within their own borders or beyond them.[12] The result was a curiously passive Swiss neutrality, tacitly encouraged and acknowledged by the neighbouring powers. With the passage of time, the Swiss themselves became used to an increasingly conscious policy of neutrality, particularly after Berne, Fribourg and the Valais had successfully conquered Vaud and other parts of Savoy after the Schmalkaldic War.[13] In the long term, the 'peace dividend' from this neutrality was reflected in the widespread and permanently low level of military expenditure in the public accounts of the Swiss republics.

In the fifteenth and sixteenth centuries debt servicing costs had assumed significant proportions. Thus, in the course of the 1430s and 1440s, Berne had to commit between 32 and 39 per cent of its total expenditure to debt servicing costs. The average figure of such costs at Basle in the course of the fifteenth century was 52.6 per cent of total expenditure, reaching a peak of 74 per cent. Amongst those republics whose accounts have been studied, only Lucerne had no significant debt servicing problem after *c.*1500. As has already been seen, however, Lucerne had already completed the formation of its territory, while those of other towns had still not reached their furthest extent.[14]

[10] Fouquet (1989). [11] Schaufelberger (1971).
[12] Peyer (1978), 64–8, 127–33.
[13] Bonjour (1949).
[14] Gilomen (1982); Körner (1981*a*), 275–80.

The majority of urban debts contracted in the course of the fifteenth and sixteenth centuries were mortgages secured on the newly acquired territories. When they bought or conquered the rights and revenues of particular territories, the towns automatically acquired their debts too. Then, in the sixteenth century, many towns agreed to act as surety for loans issued in the Swiss Confederation to foreign rulers, in particular to the kings of France; and since such rulers sometimes refused to honour their debts (as was the case with the king of France in the 1580s and 1590s), the Swiss towns which had guaranteed the loans had to satisfy the demands of the creditors. For this reason, many urban republics were in an apparently precarious state of indebtedness which lasted until the early seventeenth century. By *c.*1650, however, the Swiss republics succeeded in ridding themselves of these debts.[15]

Parallel with this surprising elimination of debt servicing costs, the urban Swiss republics also succeeded in committing part of their expenditure to profitable investment. At first sporadically, and later systematically, they became creditors, making capital loans to individuals in the town and the countryside, then to other towns, to nobles, princes and, especially, to the kings of France. In the fifteenth century, financial investments were almost non-existent (equivalent to between 1 and 3.5 per cent of total expenditure); in the sixteenth century, investments grew in number and amount (rising to the equivalent of 10 per cent or even 38 per cent of total expenditure), and at the beginning of the seventeenth century investments could still sometimes reach the equivalent of 36 per cent of total expenditure (this was the case with Lucerne).[16]

In the course of the sixteenth century, these investments furthered policies with different purposes. The towns always lent willingly to the nobility of the region, with the intention of profiting from the anticipated bankruptcy of this social class which too often lived beyond its means. At a suitable moment, the towns confiscated properties and rights, thus also expanding their own power and territory.[17] Much greater financial commitments were entered into with the kings of France and the dukes of Württemberg, Savoy and so on, which were determined by the policy of mercenary service and of solidarity with the contracting power. Military contractors and officers leaving for foreign service easily obtained public loans to assemble the contingents they required. The governments of the Swiss republics thus at least partially financed foreign wars in which their subjects were participating. For the sixteenth century we can

[15] Körner (1980*a*), 227–329.

[16] Ibid. 133–225.

[17] The bankruptcy of the county of Gruyère in 1555 is the most striking example: Rennefahrt (1942).

therefore change the adage, 'No money, no Switzers' into 'Both money and Switzers'![18]

The towns also advanced capital to contractors in apparently stable economic sectors, such as textiles, trade and transport, where they joined forces as a public company with bankers, mining contractors and the postal service.[19] From the end of the seventeenth century and throughout the eighteenth century, all the urban republics carefully maintained a respectable portfolio of valuable securities, most of them distributing the investments between internal mortgage loans, bonds for state loans, and shares in banking, industry and construction across Europe.[20]

Expenditure on welfare payments (*transferts sociaux*) was still low (1–4 per cent of total expenditure) in the fifteenth century. Analysis of the accounts of the Catholic republic of Lucerne demonstrates that an allocation of 4–5 per cent of total expenditure was normal until the end of the eighteenth century, since a large share of charitable works was still performed by the monastic orders, church hospitals, and confraternities. The data from Fribourg and Solothurn in the sixteenth century points to similar conclusions. The examples of Zurich and Berne suggest that in the Protestant republics, where the state was responsible for the material provision of poor relief, the proportion of welfare payments sometimes amounted to 11 per cent, or even over 20 per cent, of total expenditure in the period from the sixteenth to the eighteenth centuries.[21]

At least in the sixteenth century, Basle had the highest rate of annual expenditure per head of population (slightly more than 40 grams of silver per person) while in the other urban republics the figure fluctuated between 11.5 and 26.9 grams of silver per person. Although the expenditure figures for Basle in the seventeenth and eighteenth centuries are at present uncertain, it seems likely that its level of 40 grams of silver per person was higher than that of the other republics. Until the end of the *ancien régime*, Basle was the city with the highest population and greatest level of economic activity in German-speaking Switzerland. It therefore had to maintain an important state infrastructure in order to sustain its essentially industrial and commercial economy.

Comparison with other republics in the decade 1601–10 (republics which had more extensive territory and a higher proportion of rural inhabitants than Basle) suggests a hierarchy of expenditure. The descending order was Basle, Zurich,

[18] Körner (1980*a*), 409–30.

[19] Körner (1989*b*); Payot (1921); Müller (1917); Kellerhals et al. (1991); Körner (1991*a*).

[20] Landmann (1903); Büchi (1916). For the 16th cent.: Körner (1980), 227–329. For the later period: Peyer (1968); Veyrassat (1982).

[21] Dubler (1970); Denzler (1920); Fischer (1979); Geiser (1894); Lescaze (1985); Körner (1981*a*), 248–9.

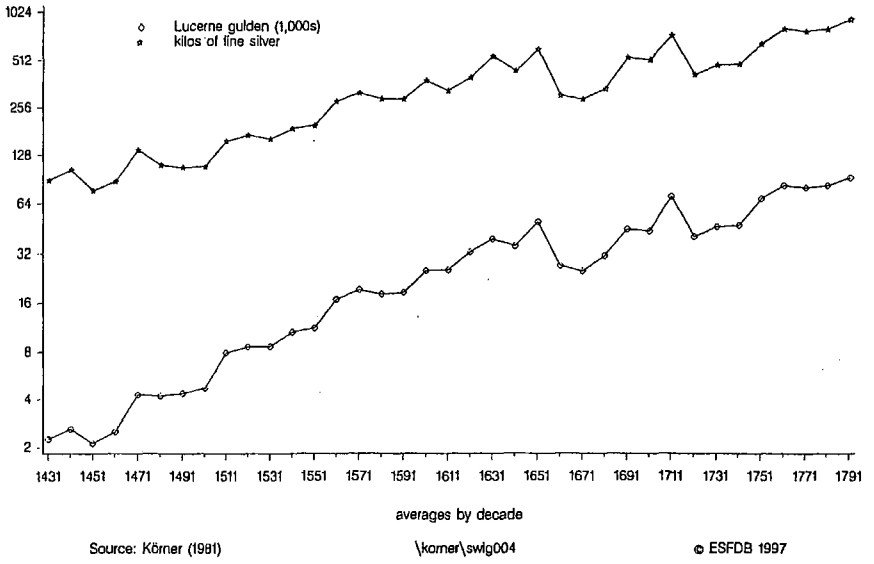

FIG. 10.1 Expenditure at Lucerne, 1431–1795

Lucerne and Fribourg, and this seems to reflect the degree of economic development. In the narrow framework of what was formerly Uechtland, the republic of Fribourg spent an annual average of a little over 22 grams of silver per person; then, after the acquisition of the counties of Romont and Gruyère, 16.5 grams of silver per person (Table 10.2). As a general rule, the seventeenth century seems to have been a period of slight reduction in expenditure per head of population. In contrast, the new financial needs and the expansion of state administration in the second half of the eighteenth century were the main causes of the growth in expenditure per head of population.

Lucerne, the only urban Swiss republic whose accounts have been studied across four centuries, experienced different patterns in the growth of expenditure (Figure 10.1).[22] The most rapid period of increase occurred in the fifteenth century, with an average rise in expenditure of 2.16 per cent per annum. Growth slowed down to 0.47 per cent per annum in the sixteenth century and to 0.17 per cent per annum in the seventeenth century; but the rate of growth increased somewhat to 0.72 per cent per annum in the eighteenth century. The seventeenth century was therefore the period of weakest growth. This result confirms

[22] ESFDB \korner\swig004. This graph comprises current expenditure (*Ausgaben der Verbrauchsrechnung*) and expenditure for investment and maintenance of properties of the state of Lucerne: Körner (1981*a*), 448–51 (table 87), 463–4 (table 91).

TABLE 10.2 Revenues of the Swiss Republics

Type of revenue	Berne 1437 [%]	Lucerne 1481–5 [%]	Basle 1500–4 [%]	Basle 1535 [%]	Geneva 1544 [%]	Lucerne 1581–5 [%]
Levies and taxes						
Direct taxes:						
Tithes		0.4			34.4	11.3
Rents	1.8	4.1	2.7	2.8		5.6
Income	44.2					
Circulation of goods						
Customs, Tolls	15.3	3.4	10.1	10.9	2.8	7.3
Wine	12.6	10.5	11.2	17.0	5.3	6.8
Corn		0.3	1.7	2.9		2.1
Flour			9.8	10.7		
Meat			5.5	4.7	4.6	
Salt					1.7	
Other taxes						
Migration and residence					3.3	
Fines, confiscations	1.1	3.4	0.8	3.2	9.0	9.3
Shared *bailliages*	4.3	4.6		1.0		1.6
Total of levies and taxes	79.3	26.7	41.8	53.2	61.1	44.0
Services and contracts						
Services, various sales	4.5	6.1	29.0	9.1		2.1

Geneva 1598 [%]	Basle 1601–10 [%]	Berne 1682–6 [%]	Lucerne 1691–5 [%]	Lucerne 1781–5 [%]	Zurich 1789–90 [%]	Berne 1794–5 [%]
13.1		41.5	1.5	7.2	21.3	28.2
		22.1	5.0	2.6	19.6	10.0
			22.4			
6.0		5.9	6.6	15.6	15.1	10.3
9.2		4.5	3.2	10.6		
13.3				2.7	0.7	
7.4						
11.6						
6.1		3.0	1.6	2.2	3.5	
15.2		1.9	5.6	2.7	1.0	0.8
				0.1		
81.9	38.7	78.9	48.6	41.7	60.5	49.3
		0.6	1.2	5.3		

Chambre des blés								
Chambre du sel								
Chambre du vin								
Building materials		0.5						
Postal service								
Public bank and exchange		0.3		4.5				4.4
Arsenal								
Interest payments	6.5	1.2	1.9	3.8		16.2		
Mint			0.9	0.9				
Economic activities	11.0	8.1	31.8	18.3		18.3		33.6
Other revenues								
Loans	5.7	15.0	21.1	4.0	26.8			0.4
Repayments of debt	1.5	1.0	5.3			26.6		14.2
Gifts and miscellaneous					12.1		18.1	
Subsidies, pensions		49.2		18.8		11.1		13.1
Sales of rights	4.5			5.7				
Total other revenues	11.7	65.2	26.4	28.5	38.9	37.7	18.1	27.7
Total (in 000s gold florins)	6.96	8.7						
Total (in 000s gold *écus*)			15.65	19.64	8.2	16.7	15.0	
Total (in 000s doubloons)								18.9
Total (kg gold)	17.4	21.8	52.2	65.5	27.3	55.7	50.0	115.3
Total (kg silver)	0.21	0.24	0.57	0.7	0.29	0.66	0.55	1.43

	10.9	0.6	1.7	
2.8	11.3	19.2	4.8	15.4
	3.3	2.5		
				4.0
3.3				
5.7	15.1	22.1	27.5	31.3
12.4	41.8	49.7	34.0	50.7
7.7	3.7	6.4		
0.2			5.5	
0.8	5.9	2.2		
8.7	9.6	8.6	5.5	
39.8	10.0	12.8	82.73	148.15
242.8	61.0	78.0	505.0	904.0
3.69	0.94	1.17	7.58	13.58

the thesis expressed earlier with regard to the average expenditure per head of population.

A comparison of the total expenditure of the nine urban republics (that is, Geneva, Fribourg, Berne, Solothurn, Basle, Schaffhausen, Zurich, St Gallen and Lucerne) demonstrates that the growth of expenditure at Lucerne in the sixteenth century was one of the weakest of the nine. The average growth in the urban republics was, depending on the method of calculation, either 1.55 per cent per annum (taking into account the period with the greatest rise, from 1501–10 to 1581–90) or 1.15 per cent per annum (over the longer period between 1501–10 and 1601–10). In both cases, the average for the nine urban republics is significantly higher than that for Lucerne. Here, too, we see a difference between Lucerne (which had already expanded territorially in the fifteenth century and for which the sixteenth century brought no great financial upheavals) and the other urban republics (where the sixteenth century was a period of distinct territorial expansion and institutional and administrative revolution, particularly as a result of the Reformation). The expenditure of the nine republics when calculated in kilograms of pure silver had at least trebled in the course of the sixteenth century, rising from 1,650 kilograms to 5,200 kilograms per annum.

The Lucerne evidence provides us with a pattern of economic growth and recession between the fifteenth and eighteenth centuries: decreases both in terms of money of account or in terms of pure silver are apparent at the end of the fifteenth century, during the decades 1580–9, 1650–9, 1710–19 and after 1770. On each occasion, there was an attempt to reduce expenditure after a period of sustained increase. The spectacular falls in the middle of the seventeenth and the beginning of the eighteenth centuries are explained by a preceding rise in military expenses resulting from warfare within the Swiss Confederation. This might suggest a degree of fragility in the Swiss state and its finances in the early modern period. Nevertheless, it should be remembered that the net financial resources of the state of Lucerne would have enabled it to cover six or seven consecutive years of expenditure, without any annual revenue at all. In the seventeenth and eighteenth centuries, these financial reserves sometimes rose to more than twenty times the average annual expenditure. Even after the period of costly warfare, the portfolio of assets which could have been put into liquidation would still have produced between eight and ten times the sums required by the state to cover its expenses (Figure 10.2).[23] Other Swiss republics had reserves on a similar scale. In 1790, for example, Zurich held reserves amounting to fifteen times its annual revenue.[24] The great monarchies of western Europe never possessed capital reserves on this scale.

[23] ESFDB \korner\swig005; Körner (1981*a*), 325–32.

[24] The calculation is based on the figures given by Wehrli (1944).

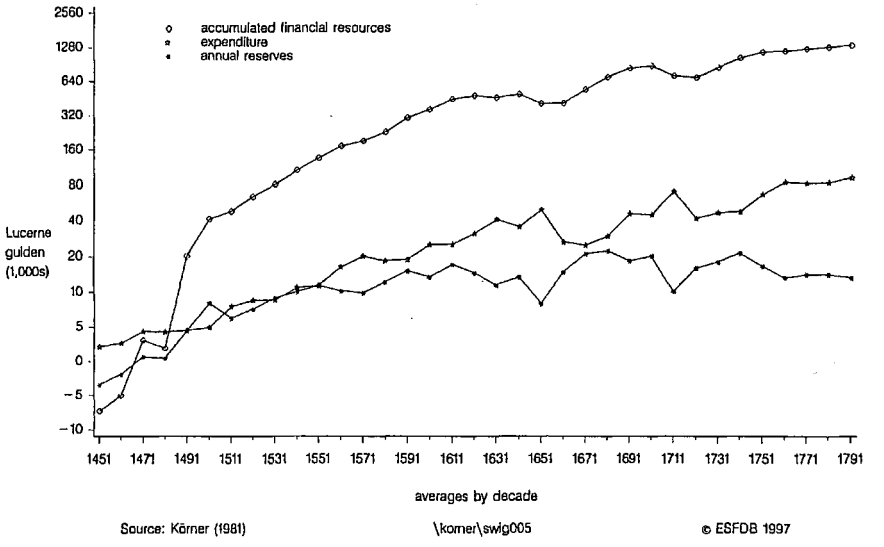

FIG. 10.2 Lucerne: reserves and expenditure, 1451–1795

III

For purposes of comparison it is useful to distinguish between three different types of revenues which permit analysis of long-term structural change (Table 10.3). Firstly, there were levies and taxes (direct levies, including tithes, rents and wealth taxes; indirect levies on the circulation of goods; other taxes, for instance on the movement and residence of individuals, fines, confiscations and revenues from the *bailliages*). Secondly, there were revenues derived from the economic activity of the state (various services and sales, *chambre des blés*, *chambre du sel*, *chambre du vin*, the sale of building materials, revenues from the postal service, public banking, the sale of arms, and interest payments). The third category subsumes all other receipts (loans, debtors' repayments, gifts, subsidies and pensions, sales of rights and revenues).[25] Direct taxation on wealth was rare. It was levied regularly only on the *bourgeois* of Schaffhausen and the town of St Gallen. Schaffhausen abolished it after a last levy in 1688, while St Gallen maintained it until the end of the *ancien régime*.[26]

There was less and less recourse to direct levies between the fifteenth and the seventeenth centuries.[27] Lucerne adopted this measure for reasons of

[25] The categories have been constructed on the fiscal theories of Wittmann (1970–4); Peffekoven (1986); Stiglitz (*c.*1986).

[26] Landolt (1994); Schmuki (1988); Höhener (1974).

[27] Körner (1980*a*), 268, 278; Sigg (1971); Feller (1974), 590–4.

TABLE 10.3 Per capita revenues and expenditure in the Swiss Republics (in grams of silver)

City		Population (000s)		Levies or taxes			Average Revenues	Average expenditure
		Capital	Territory	Capital	Territory	Average		
Lucerne	1480–9	4.0	15.0				12.6	12.5
Basle	1500–9	9.2	4.5	22.9	6.1	17.4	41.6	43.8
Fribourg	1500–9		9.6					22.3
Geneva	1544	13.1		5.9		13.5	20.7	
Fribourg	1550–9		25.8					16.5
Lucerne	1580–9	4.0	28.0	24.1	6.5	8.7	20.6	18.8
Geneva	1598	15.6		23.7		28.2	34.0	
Lucerne	1600–9	4.0	34.5					14.3
Fribourg	1600–9		25.8					16.5
Zurich	1600–9		70.0				19.0	
Basle	1600–9	11.0	15.0	39.7	7.7	21.3	55.0	42.8
Berne	1680–9	10.0	150.0			18.2	23.1	14.5
Lucerne	1690–9	4.0	54.0	30.8	6.1	7.9	16.2	12.4
Basle	1690–9	14.9	18.4				40.3	
Basle	1750–9	15.8	21.0				42.5	
Lucerne	1780–9	4.3	82.0	60.6	5.7	8.4	20.2	13.4
Zurich	1790–9	9.5	168.0	101.9	20.2	25.8	42.7	20.2
Berne	1795–9	11.0	390.0				33.9	

rearmament for twelve years in succession at the end of the seventeenth century.[28] After the Reformation, the tithe became an important source of revenue for the Protestant republics, where it might reach 20 or even 40 per cent of the average annual total income.[29] When seigneurial rents (which were also partly the result of secularization) are added, these receipts might reach 38 or even 64 per cent of the total, at least in silver equivalent. Tithe-collecting rights were purchased by the urban republics, even Catholic ones such as Lucerne, which had bought its rights to levy the tithe in the mid-sixteenth century (thus securing an income which varied from between 7 and 11 per cent of total revenues).[30] Following the example of the great landowners and the Protestant republics, those which remained Catholic appear to have recognized the importance of a type of revenue whose value increased in a period of rising prices. This was especially important in view of the growth in the number of individuals to whom the state had to pay salaries in kind from the sixteenth century onwards.

A third type of fiscal revenue consisted of customs receipts and taxes on the sale of basic foodstuffs, such as wine, corn, flour and meat, on the open market.

[28] Körner (1981), 170–5.
[29] Schweizer (1885); Wackernagel (1893); Pestalozzi and Körner (1991).
[30] Körner (1981*a*), 152–62.

Depending on the town and the year in question, such receipts and taxes might account for 14–28 per cent of total revenues in the fifteenth century; 16–47 per cent in the sixteenth century; 10–13 per cent in the seventeenth century; and 10–27 per cent in the eighteenth century. The remaining taxes (such as those on the movement and residence of individuals) as well as what we might call the taxation of social disorder (that is, fines and confiscations) did not exceed 10 per cent of total income. The income derived from taxation was generally substantial and fluctuated in a range of between 27 per cent and the totality of revenues in the fifteenth century; 42–61 per cent of total revenues in the sixteenth century; 39–78 per cent of the total in the seventeenth century; and 42–61 per cent in the eighteenth century. Throughout the period, however, some urban republics obtained as much as 60 per cent of their revenues from other sources, of which the most important were subsidies from abroad, followed in importance by profits arising from the economic activities of the state.[31]

The importance of these profits grew throughout the Swiss Confederation between the sixteenth and the eighteenth centuries, reaching between 34 and 51 per cent of total revenues by the end of the period. Three factors explain this phenomenon. Firstly, the policy of provisioning the urban population and the territory as a whole, from the sixteenth century onwards, forced the republics to maintain warehouses and cellars to store corn, wine and salt. The need to rotate these stocks forced the administrators of the republics to become merchant-contractors, because these supplies had to be marketed in accordance with price changes and market demands. Since the states generally bought significant quantities of corn above all when supplies were plentiful and prices were low, in order to be able to respond to market shortfalls in periods of dearth, grain was resold regularly when prices were high. The state intervened in the market by selling its grain to local inhabitants at lower prices. But the profits made in these circumstances were still substantial. It was thanks to the *chambre des blés* established in 1623 that Geneva succeeded in the seventeenth century in stabilizing its precarious finances.[32]

Secondly, in the course of the seventeenth century the states secured the abolition of private monopolies and the 'oligopolies' of the salt merchants: such monopoly rights were appropriated to the states themselves. The net profits on the trade in salt generated 5–20 per cent of the total revenues in the eighteenth century.[33] Other concerns and state-controlled operations, such as the public

[31] See above, n. 4.

[32] Blanc (1941); Monter (1966); Hiler (1983); Körner (1981*a*), 160–2, 348–63.

[33] Koelner (1932); Grütter (1931); Guggisberg (1933); Fritzsche (1964); Wicki (1979). Consult also the bibliography in Bergier (1982).

TABLE 10.4 Sources of revenue of the Swiss Republics: capital, territory and abroad

City		Levies and taxes			Total revenues		
		Capital [%]	Territory [%]	Abroad [%]	Capital [%]	Territory [%]	Abroad [%]
Lucerne	1480–9	49.6	33.2	17.2	21.3	8.9	69.8
Basle	1500–9	88.5	11.5		93.3	6.7	
Basle	1535	87.0	11.0	1.0	62.9	8.4	28.7
Geneva	1544	43.7	56.3		38.8	34.4	26.8
Lucerne	1580–9	33.2	63.2	3.6	19.4	27.8	52.8
Geneva	1598	84.0	16.0		86.9	13.1	
Basle	1600–9	79.0	21.0		45.2	11.6	43.2
Lucerne	1690–9	27.0	71.8	1.2	29.5	62.3	8.2
Lucerne	1780–9	35.9	63.9	0.2	41.7	56.1	2.2
Berne	1795	25.3	73.9		4.5	67.3	28.2

bank at Basle or the postal service of the Fischer at Berne, brought in a steady although smaller income.[34] Thirdly, the receipt of interest payments (that is, the income from the state's financial investments) became increasingly important. Interest payments were of only sporadic importance in the fifteenth century, but rose rapidly thereafter to become the most important revenue of all in the Swiss Confederation by the eighteenth century. Since an increasing volume of capital was invested abroad, the receipt of interest in some urban republics (such as Berne, for example) from external sources at the end of the eighteenth century approached a level as high as 30 per cent of total revenues (Table 10.4).[35]

In 1436–7 Berne offered its unfree subjects the option of buying their freedom, a process of commutation which was typical of the later Middle Ages. The relatively small yield (4.5 per cent of total income) realized by this action seems insignificant in itself. However, it occurred at a time when the republic of Berne had to make an exceptional fiscal effort in order to overcome pressing financial difficulties. In the sixteenth century, it was still usual to resort to loans when necessary. Apart from Lucerne, all the towns had recourse to loans in this period. The heavy demands for capital to finance wars and other activities indispensable for the formation of the territorial state forced the towns to run up substantial debts. Once their territorial frontiers had been consolidated

[34] Hallauer (1904); Körner (1980*a*), 95, 382–6. Research to date on the public finances of Berne does not permit more than an estimate of the proceeds at say, 4 per cent of the total net revenue of the state treasury.

[35] See above, n. 18.

and the sovereignty of the city state was firmly established, the Swiss republics had only sporadic recourse to loans. Zurich borrowed in this way during the Thirty Years' War, in order to finance its military campaigns to support the Grisons' resistance to the incursions of Spanish and Austrian troops. As a general rule, however, the Swiss republican states did not require credit after the mid-seventeenth century, and the practice was abandoned altogether in the eighteenth century.

After the Burgundian and the Italian wars (and particularly after the Perpetual Alliance of the Swiss with Francis I in 1516), foreign subsidies took the form of peacetime pensions and alliances, paid by those European powers for whom Switzerland supplied mercenary troops.[36] Depending upon the republic and the period in question, the level of these revenues fluctuated between 10 and 50 per cent of total income until the beginning of the seventeenth century (Table 10.4). Foreign subsidies predominated until the development of profits arising from economic activities; the relative decline of such subsidies by the end of the eighteenth century was largely a consequence of the growing importance of this new source of revenue.[37]

The relative importance of particular sources of revenue seems to have been proportionate to the size of the state. This is suggested by a comparison of revenues of larger states such as Zurich and Berne with smaller ones such as Lucerne, Basle and Geneva. In the long term, from the fifteenth to the eighteenth centuries, the higher rate of growth of the rural population compared to that of the city tipped the balance of state revenues from the urban centre towards the surrounding territory. In the fifteenth century, the state still received less than 10 per cent from areas outside the main city itself. From the last decade of the seventeenth century onwards, revenue from the surrounding territory always amounted to over 50 per cent or even 60 per cent of total revenues. Urban economic activity was generally more heavily taxed than that of the rural areas, even in Protestant states, where church revenues had fallen under state control (Table 10.3).

The state of Lucerne, with very little 'proto-industrialization' and virtually no agrarian reform in the eighteenth century, had the lowest rate of taxation of the republics we have studied, with an average per capita fiscal burden of 16–21 grams of silver per annum. In contrast, Berne, the richest agrarian state in medieval Switzerland, remained a rich state in the later period. There, the per capita fiscal burden rose from 23 grams in the 1680s to 34 grams at the end of the *ancien régime*. This seems to confirm the perceived difference between the agrarian Protestant states at the head of the patriotic movement in the Enlightenment

[36] Körner (1980*b*).

[37] For the relative importance of subsidies in the period 1470–1798: Körner (1981*a*), 192–9.

and the agrarian Catholic states, which were more conservative in matters of economic reform.

A more detailed analysis of the revenue derived from taxation demonstrates that the very high average per capita fiscal burdens in the states of Basle and Zurich (consistently above 40 grams of silver) stemmed from the fact that these two states, which were in the vanguard of economic development, above all made their exporting industries pay taxes: these were the source of the most substantial parts of their respective customs revenues. Even Geneva, which was in total upheaval after the Reformation and in economic recession in the late sixteenth century, succeeded in producing revenues equivalent to more than 30 grams of silver per head of population. In this way a fiscal hierarchy was established amongst the urban Swiss republics with mercantile and industrial states at the top: Basle and Zurich led the way, followed by Geneva, with the state of Berne (where a reformed patriciate was open to the influences of the Enlightenment) in the middle of the hierarchy; Lucerne, which remained controlled by a conservative Catholic patriciate, was at the bottom of the ladder.

The relative stability of total revenues expressed in pure silver per capita (20 grams for Lucerne, around 30 grams for Berne, around 40 grams for Basle and Zurich) suggests that the Swiss republican states developed at a moderate rate no faster than the rhythm of economic and demographic growth. Moreover, comparison of the revenue of some urban republics in the Swiss Confederation with estimated figures for gross national income suggests that, for the four centuries before the end of the *ancien régime*, the proportion of national income levied by the state steadily decreased. The increase in the fiscal revenue in capital cities which were centres of commercial enterprises, transport and industry and the stagnant returns from the rural territory, at least in the sixteenth century, resulted in heavier taxation for those sectors of the economy that were at the cutting edge and experiencing strong long-term growth. The overall pattern of Genevan taxation in the capital and its surrounding territory strongly supports this argument, at least for the circumstances of the sixteenth century.

IV

It was unusual for a long-term public debt to develop in the Swiss republics. Levels of debt were relatively high in the fifteenth and sixteenth centuries, except at Lucerne (where debt ceased to exist after 1500), but these levels fell during the first half of the seventeenth century. After 1650, levels of debt were insignificant or even non-existent. The Swiss republics approached the end of the *ancien régime* in a privileged position—almost uniquely, they were states unencumbered by debt. Until recently, historians sought to explain this phe-

nomenon by what they described as the secularization of ecclesiastical property in the states which experienced the Protestant Reformation. While it cannot be denied that the Protestant states in the Swiss Confederation emerged strengthened from this administrative revolution within their own borders, it would be entirely mistaken to attribute to the Reformation a capacity in the short and the medium term to enrich the state. The confiscation of ecclesiastical possessions compelled the state to accept financial obligations towards the Protestant Church within its borders. Although revenues rose sharply, so too did expenditure. It was only in the long term that the rationalization of the financial administration of the Protestant states in the seventeenth and eighteenth centuries enabled profits to be made from former ecclesiastical possessions.

The evidence from Berne suggests that in the eighteenth century the state was still paying considerable sums for the maintenance of its Church. At Geneva, moreover, the Reformation does not seem to have been financially advantageous at all. The error in the 'traditional' theory lies in the fact that there was no analysis of the public accounts of those republics which remained Catholic and were therefore not in a position to appropriate the wealth of their churches and monasteries. It is now known that they, too, emerged politically strengthened from the disturbances of the Reformation: they also successfully reformed their public finances during the sixteenth century and paid off their debts in the century and a half between 1500 and 1650.

We must therefore seek an explanation for the process of enrichment and debt redemption which is common to all the Swiss urban republics and separate this from the question of religious policy. A number of structural factors and particular circumstances contributed to this process of debt redemption. The Swiss republican principle emerged as the decisive ideology in control of the state. The councils of the Swiss republics, which comprised mainly merchants and artisans after the sixteenth century, viewed the state as a sort of public business with collective responsibility: it had to be run on the principles of sound economy, akin to the requirements on the faithful steward of the Gospel parables. Certain principles thus had to be observed to ensure that bankruptcy was avoided. A republic might buy a lordship at a given time and sell it later at a good price to another republic; it might avoid a costly war on economic grounds even at the expense of losing territorial rights that had previously been acquired. As early as the sixteenth century, the councils decided on economies in some areas of public expenditure, for example in public building works, in order to ensure that the accounts balanced. Foreign subsidies were the basis of the financial prosperity of the Swiss republics. After the Burgundian wars, these subsidies came first from France and then also from Milan, Savoy, Venice and the Papacy

during the Italian wars. After 1587, a significant part of Catholic Switzerland enjoyed subsidies from Spain. It was not until the early seventeenth century that such subsidies amounted to between 10 and 50 per cent of the total income of the republics. Lucerne was the first to use this money systematically to pay off the public debt; its example was later followed by the other republics. The exceptional economic situation, particularly in trading activities between *c.*1530 and 1560–70, was also helpful to the restoration of financial order. This was partly a result of the restoration of peace in the duchy of Milan at the end of the Italian wars.

But the Swiss Confederation, too, had to be at peace for its territories to be used for the transit of goods between southern and north-western Europe. In this respect, the short duration of religious warfare in the Confederation, and the long period of peace from 1531 until the mid-seventeenth century (interrupted only by the very localized war between Geneva and Savoy in the years 1589–91), played its part. The revived transit trade across Switzerland from the 1530s provided a spectacular stimulus to the revenues of the Swiss states, in the form of tolls and other indirect taxes which underwent exceptional growth for at least thirty years. The overall outcome of these favourable conditions shaping Swiss public finances was a regular surplus in the annual accounts. These profits were then employed judiciously, that is to say they were used to pay off debts and for investments that were either interest bearing or profit related, with the result that accounts showing a surplus became the norm. From the mid-seventeenth century onwards the Swiss republics did not even have to worry about reducing the public debt but rather how they should invest their increasingly plentiful capital.[38]

V

Overall, direct and indirect taxation rested on four pillars: on the different types of seigneurial rents; the tithe; taxes levied on wealth; and taxes affecting the circulation and consumption of goods. Seigneurial rents and other payments which acknowledged rights of lordship (for example, mortmain and taxes on the movement of individuals) were generally collected until the end of the *ancien régime*. On the whole the tithe was levied on cereal crops, wine, cider or hay, depending on the region, and (throughout the eighteenth century) on potatoes, too. The most common and administratively the most efficient way of levying the tithe was by putting the prerogative up for auction to the farmer, innkeeper or miller who was prepared to pay the most.

[38] Körner (1980*a*, 1981*a*).

Until the middle of the sixteenth century, no direct tax was levied on wealth without the prior agreement of the general assembly of the *bourgeois* in the town and of a majority of the population in the rural *bailliages*. In theory this tax was only demanded in exceptional circumstances, and the reason was explained in detail to those concerned. Schaffhausen and St Gallen do not correspond to the Swiss norm. Nevertheless, because regular taxes were too low, these two towns had to make this tax a customary and regular occurrence. In the Middle Ages and until the sixteenth century, extraordinary taxation was normally seen as 'demand and aid' (*demande et aide*). However, already at the end of the fifteenth century, *bailliages* refusing voluntary taxation were sometimes taxed according to the number of inhabitants and the presumed fiscal capacity was estimated in relation to earlier levies. From the second half of the seventeenth century, there was a trend throughout the republics towards the authoritarian levying of taxes without the prior consultation of rural taxpayers. The Catholic republic of Lucerne even went so far as to tax convents and the clergy as well, although of course with the agreement of Rome and the Papal nuncio.[39]

The direct taxation on wealth was levied in the towns on the basis of voluntary declarations by taxpayers. No financial middlemen were employed, since the levy was conducted by the heads of wards (*chefs des quartiers*), at Geneva by the *dizeniers*, and in rural areas by the sworn members (*jurés*) of the *bailliages* and villages. The system operated on the basis of collaboration and the civic consciousness of the representatives of the *bourgeois* and the communes. The administration of the public finances was quite efficient, since the closeness of the level of administration to the taxpayers made it very difficult to sustain grossly fraudulent declarations of wealth. When Lucerne decided to levy a direct tax between 1691 and 1702, it was adapted to a more modern theoretical concept. This was the first time that it was assessed on the average revenue from lands and immovable goods over the previous ten years.[40]

Another development towards fiscal modernization occurred in the Swiss Confederation during the sixteenth century: this was the reform of the levy of indirect taxes, especially those on the circulation and consumption of foodstuffs. Governments sought to avoid extraordinary taxation on wealth and to increase the return from indirect levies, imposing (for example) uniform tariffs on the wine consumed in inns, naturally adjusting the level upwards or simply creating new export duties, thus affecting domestic consumption and production rather than the transit of foreign goods. The import, manufacture and consumption of spirits was still forbidden and punished in the mid-seventeenth century in several Swiss republics. The ban was apparently unsuccessful, for the authorities

[39] Körner (1981*a*), 166–75.

[40] Ibid.

gradually renounced the pursuit of those who contravened the law and eventually decided on the taxation of spirits, based on the pattern of the tax on wine.[41] If Schaffhausen was able to abolish direct taxes in 1688, this was at least in part thanks to a sizeable increase in the proportion of indirect taxes.[42]

A distinction has to be made between opposition to particular forms of taxation and questioning the financial management of the state as a whole. The first was evident above all in subject and rural lands, the second in free areas and in the capitals. Here and there, however, the general financial arguments and specific fiscal issues were merely pretexts on which to base a broad attack on the practice of government.[43] In the course of the 1520s, the peasantry focused its opposition on the tithe, demanding its abolition. In order to mitigate the pressure from the rural areas somewhat, the Protestant republics granted some reductions of the lesser tithe.[44] Later on (especially in the last decades of the sixteenth century and during the seventeenth century), resistance was increasingly directed against government measures relating to indirect taxation (such as the standardization and extension of tariffs, or the imposition of taxes on new products). This is the background to a number of armed rebellions, which varied in their viciousness and bloodiness, such as the *Rappenkrieg* of 1591 in the Basle countryside which happily entailed no loss of human life, or the Peasants' War of 1653 in the rural areas of Berne, Lucerne, Solothurn, Basle and the Aargau against the ruling towns.[45] The peasant rebels of 1653 were crushed by a coalition of government armies; subsequent protests against direct taxes imposed without request or consultation took a milder form and generally had no effect on the level of taxation.[46]

From the mid-seventeenth century onwards there were also protest movements amongst the *bourgeois* and inhabitants of the ruling towns who were excluded from government: exclusion resulted in a less advantageous juridical, social and, indeed, economic position. Those excluded from power wanted a place in government, while also demanding a general reform of the institutions of public administration and especially the departments of finance. In the capital cities, too, opposition could degenerate into open armed revolt, as for example at Basle in 1691, where the corporations rose up against the clique of oligarchs in power.[47] Towards the end of the seventeenth century and later, the ideas of the

[41] Körner (1981*a*), 131–9. There is an analogy with the beginning of the tobacco tax: Bartlome (1993); Merki (1993).

[42] Schmuki (1988), 334–66.

[43] Bierbrauer (1980); Mäder (1983); Felder (1976); Braun (1984).

[44] Gäbler (1983), 49 and *passim*; Blickle (1987), 60 ff. and *passim*.

[45] Körner (1991*b*) and bibliography; Müller (1986) and bibliography. The works of Berner (1994), Schnyder (1994) and Radeff (1994) appeared after this chapter had been drafted.

[46] Peyer (1978), 118–21. [47] Vettori (1984).

Enlightenment penetrated the rural elites as well as those of the towns: rural elites also had aspirations to greater freedom and participation in government. In their lists of grievances, they demanded fiscal reforms which would place the rural territory and the towns on an equal footing. However, these aspirations were only fully realized in the course of the nineteenth century.[48]

The predominant characteristic of the state in Switzerland between the Middle Ages and the end of the *ancien régime* was that of the urban republic: many of the significant towns had their own territorial possessions. The republican state founded in the fourteenth century established itself irreversibly in the fifteenth and sixteenth centuries; it made important financial decisions throughout the sixteenth century until *c.*1650, and thereafter it strengthened its position until the end of the *ancien régime*. Government tended to be oligarchic in character, although an attempt was made to integrate local elites. Financial management was inspired by Cameralism and general economic principles rather than questions of prestige: expenditure on public works took place according to the needs of the economic and social infrastructure. Military expenditure was high in the fourteenth and fifteenth centuries, while territory was being acquired and sovereignty secured, but it then decreased. Peace and neutrality facilitated the reduction of the state debt to zero; liquid assets and reserves were usually sufficient for several years into the future. Direct taxation—which was never very important—tended to disappear altogether, while there was increasing reliance on indirect taxation. Thanks to subsidies from abroad and the growth of taxes on the circulation of goods and exports, the accounts showed a surplus, which was used to pay off the debt and for financial investment in different ventures. The Swiss republics became more of an entrepreneurial than a fiscal state within a confederal structure which continued to lack a developed fiscal system at its centre.

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[48] Braun (1984), 256–313.

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CHAPTER II

The Papacy and the Papal States

Peter Partner

Papal finance in the early modern period had two main aspects.[1] One related to the temporal power, and in a general sense can be called the fiscal system of the lands ruled by the Popes in central Italy and of the small Papal dependency of the Comtat Venaissin in Provence. However, there is no clear way to distinguish between these revenues and those which theoretically arose from manifestations of Papal lordship in other places, for example, over the Kingdom of the Two Sicilies. One way of looking at this would be to say that fiscal rights of various kinds derived from the position of the Papacy as the most important and powerful of the Latin prince-bishoprics. But contemporaries would not have seen things in this way, and there is little doubt that late medieval and early modern Popes viewed the temporal power in its various forms as one aspect, and an essential one, of the universal Papal monarchy.

The other principal aspect of Papal finance was the collection of rights over churches which admitted Papal jurisdiction. Some of these rights could reasonably be called taxes. The most important of these taxes, the occasional 'tenths' or charitable subsidies levied on the clergy for a crusade or similar motives, were seldom imposed outside Italy after the early fifteenth century. The crusading

[1] Renouard (1970) is a short general synthesis, old but still useful. There is a survey of the financial material by Piola Caselli (1987). The standard collection of source material from the Papal archives is *Vatikanische Quellen* (1910–72). The period preceding that studied here is well analysed by Favier (1966). The bibliography on the main literature is in Partner (1980). A more recent contribution, and an important one, is Stumpo (1985). The normal accounting unit of the papal Chamber in the 14th and early 15th cents. was a money of issue, the gold florin of the Apostolic Chamber. This was replaced late in the 15th cent. by the gold ducat of the Chamber *d'oro in oro*, but the gold florin of the Chamber continued for a long time as a money of account, defined by its value in *bolognini*. From the 1540s there was a Papal gold *scudo d'oro in oro*. From the mid-16th cent. the monetary values generally used to reckon Papal revenues in the Papal offices were silver *scudi di moneta da 10 giulii*, a money of account. Silver *scudi* (also *da 10 giulii*) from the late 16th cent. were minted as a money of issue.

'tenths' had provided the legal basis on which most later Papal taxation was built, and their decline shows how the Renaissance Papal fiscal system was drifting away from the classic medieval pattern.

In practical terms the most important 'spiritual' revenues of the Papacy were those which arose from the exercise of the Papal rights (systematized during the thirteenth and fourteenth centuries) to confer certain church benefices. When the Popes exercised these rights, certain dues accrued to the Roman financial offices: the most important were 'annates' levied from minor benefices and 'common services' levied from major ones. Other spiritual dues were of a miscellaneous nature, for example the Papal 'spoils' that were sometimes exacted from the portion of the estate of a deceased clerk that could be attributed to his clerical status.

It is necessary to distinguish between the dues exacted from supplicants and litigants in the Roman Court, which could be payable to Papal officials as individuals or in groups, and those payable to the Apostolic Chamber or the *Dataria*, which were the main financial offices of the Papal government from the late fifteenth century onwards. Some dues were payable direct to the Chamber of the College of Cardinals, which to some extent formed an oligarchic element in Papal administration. The fees paid to Papal officials by supplicants and litigants in the Roman Court were not indifferent to Papal fiscal policy, since from the late fifteenth century onwards they affected the prices paid to the Papal government for the purchase of Papal offices in the Court, and the terms upon which these offices were offered. Moreover, the monies coming into the Roman Court (not merely from fees, but from benefices held outside Rome by clerics within the Court) affected the Roman money market as a whole, and tended to improve the terms upon which the Papal government could borrow.

I

The balance between spiritual and temporal revenues is hard to calculate for the fourteenth and the earlier fifteenth centuries, since in this period defence costs for the Papal lands were high, often outweighing the net income from temporal taxes transmitted by local authorities to the Papal financial offices. Knowledge of these military costs is not precise enough to give a clear picture. But Italian war costs exceeded Italian temporal revenue and it seems to have been accepted in Avignon, at least in the time of John XXII, that funds collected in France would be spent in Italy.

During the period when the acknowledged Popes were resident in Avignon (1307–67) the fiscal system relating to the spiritual dues was developed to its highest degree, and in spite of the enormous war expenses incurred by certain

Popes (notably by John XXII between 1316 and 1334) the Papal budget was held more or less in balance, even at some points producing an appreciable surplus. However, the regional distribution of the sources of Papal spiritual income differed from the situation obtaining at later periods. In particular, because Papal patronage was exercised predominantly in the French kingdom, that area was disproportionately important in the provision of Papal income. During the Avignon period the collection of revenue in the Papal States was deficient, in spite of some vigorous attempts to improve it, and the more powerful subject cities and their lords often obtained virtual tax exemption. At the end of the Avignon period no more than a quarter of gross Papal income can be attributed to the Italian lands.

The gradual re-establishment of Papal authority in the Papal lands, which began after the return of Pope Martin V to Rome in 1420, effected a change in the balance of the 'spiritual' and 'temporal' revenues. Effective fiscal policy in the Papal States became a significant preoccupation of the Popes.[2] The change was urged on them by the big contemporary fall in spiritual revenues which had been in part occasioned by the decrees of the Council of Constance (1414–18), but which was also a consequence of the increased resistance to Papal taxation on the part of the lay rulers of Europe.

The main financial agency of the Papacy, which in the late medieval period handled both spiritual and temporal revenues, was the Apostolic Chamber.[3] This was the competent financial office for the whole vast range of fiscal and beneficial praxis of the Roman Court, although in the Renaissance period it lost some of its attributions to the *Dataria*. It also acted as a quasi-Interior Ministry for the direction of the Papal States, and was in some respects a military office, responsible for contracts with mercenaries and their pay and muster, and for the Papal galleys. The Chamber was also a College of officials of high administrative and legal ability, who from the late fifteenth century onwards purchased their offices under the venal system, and who both corporately and personally enjoyed legal and financial privileges. At the end of the fifteenth century the *Dataria*, which had developed from an earlier organ of household finance, became a second major financial bureau with direct responsibility to the Pope.

Total Papal income in the early fifteenth century was perhaps little more than

[2] The author has used the term 'Papal State' as a reasonable, but not quite accurate, term to depict the Italian lands of the Papacy: Partner (1991) and in earlier publications. Here the traditional designation of Papal States is retained, because of the existence of the Comtat Venaissin until 1791; and to maintain terminology consistent with that of Capra in Chapter 13. *The Oxford Dictionary of the Christian Church* defines 'States of the Church' as 'those parts of Italy and territory of Avignon and Venaissin in France which at one time acknowledged the temporal sovereignty of the Papacy' [Ed.].

[3] For the Apostolic Chamber: Partner (1990); Pastura Ruggiero (1987).

half of what it had been before the first return of the Popes to Italy in 1367. Important fiscal changes resulted from Avignonese practice. In 1500, the 'apostolic collectories' run by Papal fiscal agents despatched to various parts of Christendom, which in the fourteenth century had provided something like half of spiritual revenue, were reckoned to yield about 3 per cent of its total. The energetic vindication of Papal temporal rights meant that the revenue of the Papal States in 1500 accounted for roughly double that coming from other sources.[4]

In the first half of the fifteenth century, the Papal budget may have been held occasionally in balance, although deficits were frequent. By the 1480s, continued defence needs and the policy of Papal ostentation and improvement in Rome and the Roman Court (not to mention growing nepotism costs) pushed Papal finances into permanent deficit. This was covered first of all by the sale of offices in the Papal court, and then later (in the second decade of the sixteenth century) by the launch of new state loans called *Monti*, which were frequently secured on the revenues of the Papal States.

II

For a long time before the Renaissance period, banks had been an essential element in the management of the Papal financial system.[5] The use of Italian merchant companies to facilitate the transfer of Papal funds from one part of Christendom to another, and also to mobilize credit on behalf of the Papacy in time of urgent financial need, dates from the late thirteenth century. These companies, which were trading companies and not in the modern sense 'banks' (though they may for convenience be called that), were an essential part of the mechanism for the collection and transfer of Papal spiritual dues. The 'merchants following the Roman Court', as the bankers were technically known, were also used by supplicants to handle the payment of their dues to the fiscal offices in Rome, but their real importance in the thirteenth and fourteenth centuries was in supplying facilities for the transfer to Rome of funds from the Papal 'collectories' abroad. The Italian bankers were also used by the Papacy to carry out various services relating to the functioning of the central financial administration. In both cases, the merchants obtained their recompense by devices of 'dry exchange' that avoided the canonical prohibition on usury.

One of the main advantages accruing to banks employed by the Papacy was the opportunity for business which could be undertaken without significant use

[4] Papal income for the period 1426–1525 has been calculated in gold florins of the Chamber. In 1426 it was 170,000 florins; in 1462, 471,694 florins; in 1480, 315,979 florins; and in 1525, 475,989 florins.

[5] For the banks, a huge subject, apart from the works already cited: Bullard (1980, 1985).

of the bank's capital. There was also the chance to profit from the lucrative traffic in benefices which was one of the main concerns of the Roman Court from the early fifteenth century onwards. The Roman branches of the banks acted as deposit banks for the rich clergy of the Roman Court. Administration in the Papal States offered other possibilities of gain to the banks; at the end of the fifteenth century it again became usual (as it had been in the thirteenth century) to grant a bank tax-farming concessions. A bargain often advantageous to merchants was the purchase of the concession of dealing in the products of the Papal alum mines, granted to the Medici (in the first instance) in the late 1460s. There were also good profits to be had from using the privileged position of the Tuscan banks in the Roman Court to export textiles, finished garments for ecclesiastical use, and many other goods from Tuscany to Rome.

Towards the end of the fourteenth century, the precarious financial situation of the Popes had forced them into obtaining loans from the banks. At the same time, the Papal office of 'Depositary of the Apostolic Chamber' came into being; its holder was the banker charged for the time being with the duty of managing the day-to-day receipts and expenses of the Chamber. A deficit was often, but not always, met by loans made by the Depositary. The history of the Depositary's office is to some extent the history of how the banks obtained control of an important sector of Papal central finance. It is probable that some banks, especially that of Giovanni di Bicci dei Medici of Florence, operated during the Schism in the courts of both the Roman and the competing Avignonese Popes, and used their dual position to exact privileges. The Medici bank consolidated its advantages under Pope John XXIII (a valued Medici client during the period before his election to the Papacy when he was Cardinal Cossa), and obtained the Depositary's office for a nominee bank in 1411.

Thus began a close Medici connection with central Papal finances that lasted with few interruptions for over three-quarters of a century, and that was to be signally reinstated by the Medici Popes (1513–34). However, by the time of the Medici Popes the bank actually directed by Medici members had ceased to exist, and banking concessions were given to other Florentine firms. Many other banks, including non-Tuscan ones, were at times given control of the Depositary; in the late sixteenth and early seventeenth centuries the dominant banks in the office were Genoese. The Genoese were in any case the most prominent bankers in the Roman money market of the time.

III

Although there were many heterogeneous dues that arose from the spiritual as opposed to the suzerain element in Papal authority, the significant taxing

powers over the clergy of the Latin Church arose from the Papal conferment of benefices. In the fifteenth century, the most important of these were the proceeds of the 'common service' tax due from a benefice over the annual value of 100 florins that was conferred by the Pope in his consistory, and of the 'annate' tax exacted from a minor benefice that had been conferred by the Pope in other circumstances. These taxes had arisen from the 'reservations and provisions' (as they were called) that had been exercised by the Popes over benefices in the Latin Church since the late thirteenth century. In many cases the Papal nomination followed an anterior supplication made by a petitioner to the Pope for the benefice in question, but Papal provision could occur in other ways, either by the Pope's autonomous action or, for example, as a result of a lawsuit in the Papal court which ended in the Papal grant of the disputed benefice to a third party who had not been involved in the dispute.

There was thus a casual, arbitrary element in the way in which these spiritual revenues arose: they did not amount to a general tax on the clergy subject to the Pope, but were rather a result of the recourse made to the Papal court by clerical petitioners and litigants. They could also arise in the course of Papal and Roman-Court clientelism, when the Pope or the subordinate great men in his court (principally the Cardinals) used Papal legal powers to bestow favours in the shape of benefices upon their clients. The 'annates and common services' remained a source of Papal revenue until the end of the eighteenth century, but as a proportion of total spiritual revenue they declined notably from the mid-sixteenth century onwards.

After the ending of the Council of Constance in 1418, the exaction of Papal tenths from the clergy became an Italian usage which did not apply generally to churches outside Italy. In Italy, they were exacted with varying frequency in the various regions, more frequently in the centre and north than in the south. Naturally, the clergy in the Papal States were those most frequently taxed in this way, but the sums raised outside the Papal States were substantial, and this continued to be so into the seventeenth century (Figure 11.1).[6] Closely associated with the Italian tenths, but tied in also with the government bond issues, the *Monti*, were the appreciable payments made regularly to the Popes from 1560 onwards by the various Italian congregations of monastic clergy.

The *Dataria* was used by the Popes at the end of the fifteenth century in order to handle a variety of spiritual revenues, such as the taxes from the Registry of Bulls, the proceeds of 'compositions' (in practice paid usually for matrimonial and similar dispensations), and money paid for the purchase of Papal offices. The *Dataria* retained the characteristic of being a sort of household financial office,

[6] ESFDB \partner\papb003 based on \papd003.

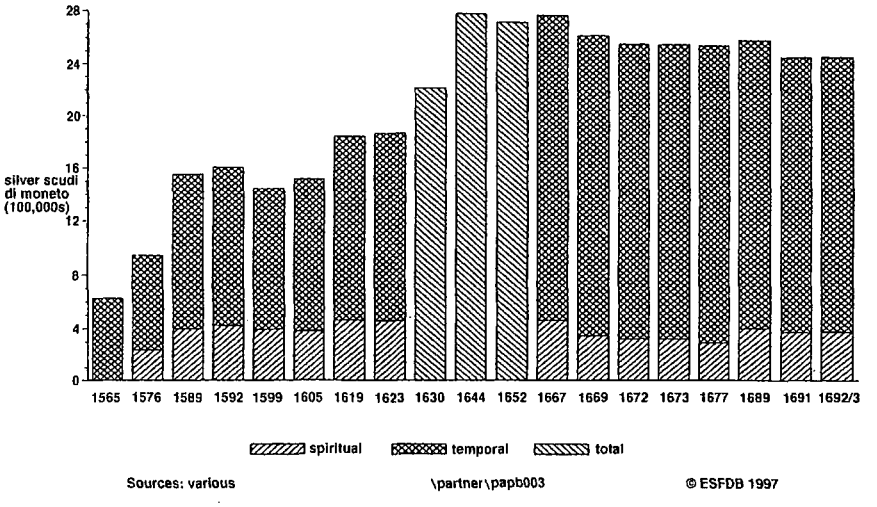

FIG. 11.1 Temporal and spiritual revenues of the Papacy, 1565–1693

but after becoming a permanent state department in 1517 it acquired the disposition of other curial revenues, until by the end of the sixteenth century it handled virtually all 'spiritual' revenue, including numerous curial fees which in the fifteenth century would have gone to the Apostolic Chamber. Some of its monies were paid out to cover the salaries of certain venal offices, or specified repayments of Papal debt, or to the Apostolic Chamber, which remained the main financial office. But enough monies were retained to conserve its position as the household financial bureau placed under the immediate personal control of the Pope.

For fiscal purposes the basic legal distinction concerning lands situated in the Papal domains was between those 'immediately subject to the Holy See' and those where Papal juridical authority was mediated through a lord or commune.[7] However, in the later period this distinction became less important in practice than in theory. In the fifteenth century, when a large part of the Papal States was ruled by magnates or nobles who had been granted 'apostolic vicariates', or feudal holdings with large juridical exemptions, the distinction reflected a political reality. By the late sixteenth and early seventeenth centuries only a small number of such semi-autonomous areas remained, and even these (such as Ferrara, Urbino, Castro and Camerino) had been greatly modified, while by the

[7] The basic bibliography on the Papal States can be found in Partner (1991).

mid-seventeenth century they had lost their earlier importance. In some big communes, in theory directly ruled by the Holy See, such as Bologna and Perugia, substantial practical autonomy remained to the local oligarchies, which enjoyed more genuine local government than the remaining islands of seigneurial authority. The fiscal administration of the Papal States at local level was entrusted during the later Middle Ages to provincial treasuries whose officials were usually clerics with a direct responsibility to the Apostolic Chamber. In the sixteenth century, the clerical provincial treasurers disappeared, and were largely replaced by tax farmers, usually lay bankers, who had bid for the farm.

Until the mid-sixteenth century, most taxation in the Papal States was exacted from the communes administered 'directly' through the provincial treasurers and paid by them (when not assigned elsewhere) to the Apostolic Chamber. Central supervision of taxation policy was in practice largely limited to the sending of Papal commissioners to the provinces, although the provincial treasurers were subject to a strict audit. The commissioners had wide powers to control both tax-gatherers and taxpayers: often their main duty was to make local bargains ('compositions') with tardy or recalcitrant subjects. The salt monopoly was split into various provincial farms, for which tax farmers bid individually. Other profitable concessions of indirect taxation such as the grant of licences for grain export and for the transit of transhumance flocks were commonly handled by the Apostolic Chamber.

The main direct taxation paid in the earlier period was the 'subsidy' paid annually to provincial treasurers by the communities according to an assessment subject to occasional revision. Indirect taxes such as those on goods going through the gates were normally raised by the city in question and included in its communal accounts. The main early exception was the wine tax imposed in Rome and Bologna for the benefit of the Universities. Indirect taxation (including customs taxes) was responsible for most of the revenue raised in Rome. Rome played, not surprisingly, a special part in the fiscal system. In many respects the most privileged of the cities, it also was subject to a more direct Papal control than the other big communes and was used in a unique way as the centre of fiscal privileges accorded to Papal clients and favourites. Rome was thus at once the favoured meadow and the milch cow of Papal finance: the capital city supplied perhaps a quarter of Papal temporal revenue at the end of the sixteenth century, rising to a much higher proportion in the mid- and late seventeenth century. In theory, all local government from 1592 onwards was subject to an annual authorization of the communal accounts on the part of the recently established *Congregazione del Buon Governo*, to which the scheme of proposed income and expenditure (*tavola*) was to be submitted. One of the main objects of this rule was to exercise some control over communal indebtedness,

while another was to discourage municipal malpractices. The *tavola* also supplied a record of current tax-farming contracts at local level.[8]

The traditional system of taxation in the Papal States was subjected to basic changes from the time of the imposition of the new, centrally controlled direct tax (*Sussidio triennale*) in 1543. This tax was applicable to the areas ruled 'indirectly' as well to those ruled 'directly', and a yet more important innovation was its application to the clergy and to most of the previously privileged baronage. Some lordships still escaped this subsidy for a long time, however, for example Ferrara and Camerino. Various increases in the tax followed, the last in 1628. A further direct tax (originally an indirect tax on wine) was the *foglietta* tax, first imposed in 1588; and another important direct tax was imposed in the same year for the maintenance of the Papal galleys. A similar direct tax (*dei cavalli morti*) was imposed in the second half of the century for the Papal armies. Lesser, but appreciable, taxes regarded the proceeds of justice (*dei danni dati*) and government records (*dell'archivio*). Extraordinary hearth taxes, a typical medieval expedient, were infrequent in the sixteenth century, but not unknown. The Counter-Reformation period was also marked by the introduction of some new centrally imposed indirect taxes: their importance, however, was less than that of the new direct taxes. A tax on meat (*gabella della carne*), thought by Delumeau to have been collected as a direct tax, was imposed from 1552 and increased in 1642–4. A further tax on meat consumption, the *gabella del macinato*, was generally imposed only at some points of the sixteenth century, but became a heavy and permanent tax in 1630, suffering a further increase in 1643. The patrimonial revenues of the Papacy would not be worth special mention had it not been for the alum mines of Tolfa that were discovered and exploited in the late fifteenth century. Revenue from the farm of the mines was originally reserved for the purposes of the Crusades, but was later treated as part of general Chamber income.

IV

Although the expenses of the Holy See are reckoned in many documents which we may term budgets (some detailed, some summary or *ristretti*) drawn up in the Apostolic Chamber and Treasury from the late fifteenth century onwards, it is very hard to know the real totals. This arises partly from complications of cross-accounting, partly from the existence of a few big-spending offices that had their own independent revenues (such as the works office of St Peter's), and

[8] For the finances of the later period: Stumpo (1985); Delumeau (1957–9); Reinhard (1974). The as-yet-unpublished thesis of Rietbergen (1983) is important. Also Reinhard (1984, 1989). For the end of the period: Lutz (1979).

partly from a system of household finance that enabled huge transfers of funds to Papal nephews and other favoured persons that were never recorded in the main accounts. The overall result of these procedures is that although Papal accounts were certainly in deficit from the later fifteenth century onwards, the true annual deficit cannot be known from the main accounts, and has to be guessed from increases in the debt. A system for reimbursing tax farmers for shortfalls in the expected tax revenues makes the figures yet harder recalculate. There is some disagreement among scholars about the extent to which the deficit was covered by income unrecorded in the main accounts.

The costs of nepotism may be reckoned as an ordinary expense, since there was hardly a Pope who did not practise it between the late fifteenth century and the late seventeenth century.[9] Effective discouragement of nepotistic grants did not come before Pope Innocent XII (1691–1700). Variations between pontificates were considerable, and the figures never appear in the ordinary accounts, but it seems reasonable to assume that something approaching 5 per cent of total Papal revenue could be spent on nepotism without causing local scandal. The true nepotistic costs were larger than the money gifts made to nephews, since they might include very highly paid Papal offices like the charge of Papal armies or the office of 'supervisor of the Papal States' that were normally, in the seventeenth century at least, in practice sinecures. They also included the huge sums that arose from church benefices given by the Popes to their clerical relatives, and the Papal fiefs that could sometimes be conferred on lay relatives. Neither of these categories of gift amounted to a direct transfer of government funds, although the second was an alienation of government property. Such clientage was a feature of virtually all government practice of the period, although the grant of church benefices on this scale was a special feature of Papal government.

From the early sixteenth century onwards, the biggest single charge on Papal income was the servicing of the debt.[10] Earlier fifteenth-century borrowings were normally *ad hoc* contracts with bankers, sometimes from the banker who was at the time the Papal 'Depositary'; loans were sometimes also obtained from Papal courtiers. Temporal revenues were beginning to be farmed as a matter of course and some anticipation of revenue would be included in the first payments of the farm. An attempt made under Pope Innocent VIII (1484–92) to farm the spiritual as distinct from the temporal revenues failed: the bankers accepting the farm registered net losses and would not renew it.

The original form taken by the main early modern Papal debt, from the 1480s

[9] Reinhard (1975). The best material available on the financial results of nepotism as they were considered by contemporary theologians is in Grisar (1943).

[10] Partner (1980), 23–31; Stumpo (1985), 219–305.

TABLE 11.1 Papal funded debt (*Monti*) and venal offices treated as a single debt

	Capital	Interest	Total papal income	Interest on debt [%]	Papal income spent on debt interest [%]
1526	3,356,430	211,207	594,986	6.3	35.5
1576	7,040,650[a]	404,227	945,315	5.7	42.8
1592	10,520,678	739,285	1,601,195	7.0	46.2
1599	11,665,223	762,094	1,440,842	6.5	52.9
(1605/6)	12,242,620	(800,600?)	1,513,027	(6.5)	(52.9)
1619	14,272,000[b]	845,251	1,839,683	5.9	45.9
1654	[?]	1,473,676	2,509,558	[?]	58.7
(1652–78)	31,723,339	[?]	2,599,100	[?]	[?]
1672	[?]	1,562,162	2,705,593	[?]	57.8
1691	[?]	1,270,000	2,255,000	[?]	56.3

Notes: Except for 1526, the figures for capital, interest and total papal income are given in silver *scudi di moneta di 10 giulii*. The figures for 1526 are in gold ducats of the Chamber. [Ed.]

[a] Offices are estimated at 3.5 million silver *scudi*

[b] *Monti* are estimated at 10 million silver *scudi*

Source: Partner (1980), 27

until 1526, was borrowing through the sale of Papal offices. In 1526, the issue of the first Papal *Monte* marked the beginning of the first properly funded debt. By the 1520s, something like a quarter of Papal income was devoted to remunerating the venal offices (*uffici vacabili*) of all categories; and by the 1570s, the proportion of Papal income devoted to offices and funded debt together was well over 40 per cent. A distinction must be made between the offices that entailed only nominal duties (later called the 'third category') and those whose holders exercised administrative functions. Over half Papal revenue was absorbed by venal offices and *Monti* payments by the end of the century, and the proportion was only with difficulty held below 60 per cent during the seventeenth century (Figure 11.2 and Table 11.1).[11] Some of this proportion includes repayment of *Monti* loans and various consolidations at a lower interest rate, but the total debt burden was immense (Figure 11.3).[12]

Military expenses were very high throughout the fifteenth century and remained so into the first three decades of the sixteenth century, when a sustained effort was being made to obtain effective control of the territories of the Papal States. They seldom fell, at this period, below a third of Papal revenue, and usually absorbed something more like 40 per cent. From the time of the Ottoman threat in the western Mediterranean in the 1480s, there was regular naval as

[11] ESFDB \partner\papb001 based on \papd001.

[12] ESFDB \partner\papb002 based on \papd002.

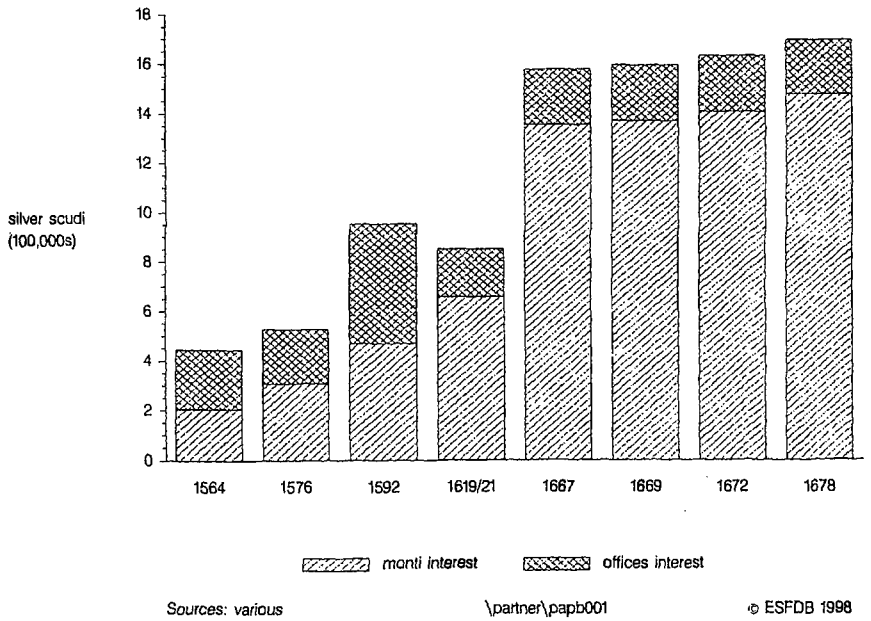

FIG. 11.2 Debt interest of the Papacy, 1564–1678

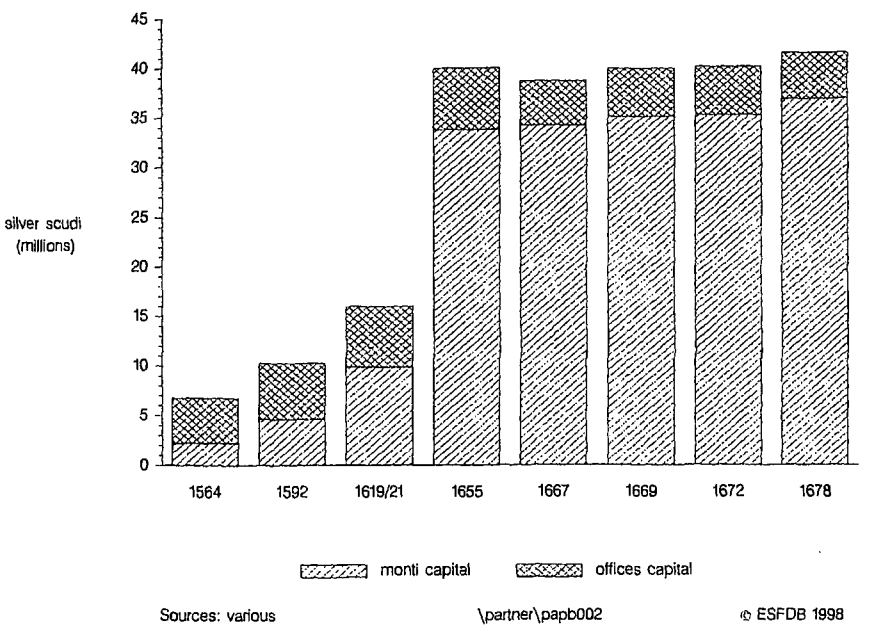

FIG. 11.3 Papal debt, 1564–1678

well as military expenditure. The victory of Habsburg arms in Italy, finally registered in the Peace of Cateau-Cambrésis (1559), had the long-term effect of reducing ordinary Papal defence expenditure to a lower level.[13] In the early seventeenth century, and also at its end, ordinary military expenses may have oscillated between 12 and 15 per cent of conventionally calculated total revenue, though if the costs of fortifications and their maintenance are added, the proportion grows. But the emergencies of war could change this situation dramatically; under Pope Urban VIII (1623–44) military expenses including fortifications have been reckoned at roughly 30 per cent of probable revenue, which represents a temporary return to the Renaissance situation. Such crises occasioned large increases in the debt. There were also (especially in the seventeenth century) regular military expenses for the defence of outlying Papal possessions, particularly Avignon and (after 1599) Ferrara, which tended to exceed the revenues of these places.

Subsidies accorded to Catholic princes were an irregular but important occasion for Papal expenditure:[14] when the subsidy was accompanied by the despatch of Papal troops—as occurred at the end of the sixteenth century in France and Hungary, and often when Papal galleys took part in expeditions with Catholic powers—the expenses are hard to separate from extraordinary military ones. Subsidies of this nature were still liable to claim important sums as late as the 1690s, when Innocent XI (1676–89) contributed something approaching 2 million *scudi* (roughly 77 per cent of annual revenue) to the war against the Ottomans.

The administrative costs of the Papal States are extremely hard to calculate. An estimate of between 12 and 15 per cent of the total has been suggested for this item in the late sixteenth and the seventeenth centuries, but there is doubt as to how these monies were distributed. The administrative expenses of Papal governors and legates (including some of the minor military costs) are included in the estimate, as also are the salaries of officials in the commune of Rome. The administrative costs of the Papal Curia itself are yet more difficult to assess, since most of the main offices were venal, and it is hard to say how much of the remuneration paid by the Papal financial offices to officials who had bought their posts should be treated as administrative costs, and how much as debt servicing. Judicial personnel were salaried, and their offices non-venal. Doubts are raised by Papal pensions paid to Cardinals: should this be counted as their remuneration for exercising a Papal office (it will be remembered that the office of Cardinal was not sold, except for a few notorious occasions in the early sixteenth century), as an exercise of Papal patronage, or as an oligarchic perquisite? On the other hand, some Cardinals, such as the Prefects of the Congregations, drew salaries on account of their offices.

[13] Partner (1980), 52–3; Lutz (1976); Stumpo (1985), 278–83.

[14] Partner (1980), 52–3; Stumpo (1983), 283–6.

The expenses of running the Papal palace and household were not inconsiderable, but were remarkably consistent over a long period of time. They ranged from between 7 and 9 per cent of conventionally calculated income for normal years, though some extravagant Popes exceeded this by some way. The expenses of Papal urbanism in Rome, including the churches and the Papal palaces, and of public works in the Papal States, are among the hardest of all items to calculate.[15] They varied immensely from one pontificate to another, and from year to year within a single pontificate. Great Papal builders like Pius IV (1559–65), Sixtus V (1585–90), Paul V (1605–21) and Urban VIII (1623–44) spent something approaching a tenth of annual revenue on such objects. The rebuilding and decoration of St Peter's was a particularly expensive process, though only at irregular intervals did the great campaigns (such as those for cupola, facade, colonnade) push the call on central revenues up to really important levels. It is doubtful whether the church cost the Popes as much as two years of total Papal revenue in all, over a period of almost two centuries. The works office of St Peter's possessed limited resources of its own, and also enjoyed (at various times) such revenues as issues of indulgences from various parts of the Catholic world, and fees for the exploitation of ancient building materials. But many other Roman churches were built or rebuilt from contributions that entailed great expense to the Popes: there is no reliable estimate of the total costs, nor of those that fell especially upon the Papacy.

'Alms' is an expression given such a very wide interpretation in the budgets that it is virtually impossible to know the true figures if the expression is taken to mean something like 'subventions given to needy persons'. In the wider sense of funds distributed by the Pope's order, it covers roughly between 2 and 5 per cent of seventeenth-century budgets, and substantially less in sixteenth-century ones. Diplomatic representation ran at a fairly steady cost of roughly 1 per cent of income, or at the end of the period rather less. The expenses of the Council of Trent (1545–63) were substantial, and in the earlier stages of the Council absorbed something approaching 5 per cent of annual Papal income, but the event was not repeated. Seminaries and 'ultramontane' colleges of priests are an element in most Counter-Reformation and later budgets, showing an expenditure of something approaching 1 per cent of the total. But some important Papal or Papally sponsored institutions in Rome clearly had their own sources of funding, some of which may have been in one sense or another governmental, although they make no appearance in Papal budgets. Thus the only one of the important Roman Congregations that were set up in the late sixteenth and the seventeenth centuries with funds allocated in the Papal budgets is the

[15] Partner (1980), 55; Stumpo (1985), 286–93.

Congregazione del Buon Governo, and even this had other funds drawn from the Papal-State communes. Similarly, colonial missions, which were to be of great importance, hardly figure at all, nor does the *Congregazione de Propaganda Fide*. It is possible that most external missionary activity was financed outside Italy, though the *Congregazione* must have had Roman funding.

V

Papal accounts were in occasional deficit from the late fourteenth century onwards and in permanent deficit from the late fifteenth. Offices had been sold in the Papal Court on a small scale from the end of the fourteenth century onwards. During the half-century following the definitive Papal return to Rome in 1420 such revenues were handled by household financial methods in a 'secret treasury' and lumped together with other payments that the Pope for one reason or another decided to treat as available for personal and confidential purposes. Such methods persisted until the 1480s when, following the death of the conservative Paul II (1464–71), a new policy of setting up new 'colleges' of venal offices, and of gradually making most of the old curial offices venal was initiated under Sixtus IV (1471–84) and Innocent VIII (1484–92).[16] The bureau chosen to handle these transactions was the *Dataria*, which, although it had a long earlier history, had not been financially involved in such matters before. Where the government wished to guarantee revenues greater than the office-holders could reasonably expect from the fees of users of the Roman Court, they secured the extra revenue from the Papal States: the first instance of this was a tax in the Papal States to part-reimburse the new college of Papal secretaries in 1487.

All these offices were *vacabili*, or transferable on payment of a fee to another person whom the *Datarius* considered to be acceptable: in the case of some key offices the consent of the Pope himself was necessary. If the office-holder died in office, the office returned to the *Dataria* for disposal, and the investor lost his capital. An office-holder could also lose his office as a result of his own ecclesiastical promotion to a dignity that was held to be legally 'incompatible' with the office. To avoid these eventualities, office-holders frequently sought to transfer their offices to relatives or to third parties, before their own death or promotion. This did not stop the *Dataria* from recovering lapsed offices without payment of compensation in quite a few cases. The income received by the *Dataria* from the resale of offices amounted in the mid-sixteenth century to nearly half the annual interest charges on the first and second category offices. An extension of the

[16] Partner (1980), 21–4; Stumpo (1985), 176–84; Partner (1990), 197–202; Reinhard (1984).

policy, adopted from the early sixteenth century onwards, was to set up new colleges of offices with only ceremonial duties or none. Such colleges might be modestly named after the taxes that supported them (for example, the *porzionari di Ripa*), or might have impressive-sounding titles like 'knights of St. Peter', 'knights of St. George' and so on. This category of office-holder (the 'third category') was able to alienate the office without seeking Papal permission. Its holders were normally guaranteed their return on the investment from assignments on various kinds of revenue in the Papal States, or alternatively from *Dataria* or Apostolic Chamber funds.

There was a substantial difference between the gross annual cost of the offices to the Papacy and the total revenue drawn (in part from persons frequenting the Roman Court) by all office-holders. The difference represented the fee-income or 'uncertain revenue' of the office-holders of the first two categories. Thus the annual cost of the offices to the Papacy was between 5 and 6 per cent of their market value, decreasing to something below 5 per cent in the early seventeenth century. In contrast, the income returned by their offices to office-holders of the first and second categories was in the late sixteenth century between 9 and 11 per cent annually of the market value. This made the offices better-yielding investments than state bonds, though for first and second categories of officers there was an element of increased risk, through the possibility of death or inconvenient promotion while holding the office. The return of the offices to officers of the third category (that is, the freely alienable offices) was much higher when the system was set up at the beginning of the sixteenth century than it later became. The yield to the holders has been reckoned at between 13 and 14 per cent in 1514, and 10–12 per cent in 1561, but only 8 per cent by 1655, and 6 per cent at the end of the seventeenth century.

The sale of offices failed to solve Papal financial problems in the early sixteenth century, and the Popes continued to resort to short-term loans from the banks. These were frequently given on the security of Papal offices granted to the bankers, and such methods were widely used by the Popes as late as Pope Paul III (1534–49). An alternative way of raising short-term credit was to obtain large advances from the tax farmers in the Papal States in expectation of assigned revenue payments. Repayments on such loans absorbed about 8 per cent of Papal temporal revenues in 1525. And the medieval practice of big Papal borrowings from prominent courtiers—a practice that had never died out during the fifteenth century—was still important as late as the pontificate of Leo X (1513–21).

A partial answer to these problems was found with the emission of the first truly funded Papal debt in 1526, the *Monte della Fede*.[17] This was the pattern for a

[17] Partner (1980), 25–30; Stumpo (1985), 247–70.

long series of loan issues, many of which were connected with war finance, although many others had quite different titles and objectives. About forty of such *Monti* had been set up by the end of the century. In the seventeenth century, some *Monti* were extinguished, or incorporated into new funds. But under Pope Urban VIII (1623–44) the *Monti* experienced a huge extension, either by the issue of new bonds or the expansion of older funds, so that the nominal capital of the *Monti* loans was almost doubled during his pontificate. The *Monti vacabili* may very approximately be termed the short-term debt, whose bond-units (*luoghi di Monte*) were liable to revert to the Papal government on the death of the owner (they thus could not be willed to heirs), or on the occasion of an ecclesiastical promotion. The *Monti non vacabili* could be freely alienated and testated by the owner, and were not subject to the same kinds of restriction. They carried lower interest than the *vacabili* issues, and they may be for convenience treated as the long-term debt. However, the distinction betweeen the two types of fund was not absolute, and some *vacabili* loans were declared to be freely alienable for a period of two to five years, subsequently reverting to *vacabili* status. There were also occasional governmental conversions of *vacabili* to non-*vacabili* stock, with an accompanying drop in the interest payable. The *Monti vacabili* were commonly issued with a date declared for their redemption, but the government frequently failed to keep to this declared date.

The system of Papal *Monti* could never have expanded to this extent without the growth of a large and active Roman money market. The Tuscans and the Genoese were the biggest players in this, but it was also important for other regional groups of investors, for example the Romans themselves and the Venetians. The main period of expansion of this market began with Pope Pius V (1566–72). Early in the seventeenth century, a trend began towards a decline in the rate of interest paid on long-term Papal loans (Figure 11.1). The trend was fairly consistent (though not during a good part of the indebted pontificate of Urban VIII) for over a century, and led to the important debt consolidation of 1684–5. The indebtedness of the local government authorities of the Papal States was a factor which must have affected central government borrowing to some extent. Bologna had undertaken the management of long-term municipal debt by the mid-fifteenth century and other communes in the Papal States followed during the next century. The Papacy at the end of the sixteenth century sought to restrict the rates of interest granted on communal loans, and to monitor their extent through the *Congregazione del Buon Governo*. Total communal debt may have amounted to three-quarters of total central government debt by the early seventeenth century, although *Monti* were set up to reduce local government indebtedness, and some success in this was claimed. However, heavy communal

debts were a cause of social unrest in the Papal States during the mid-seventeenth century.

VI

In the fifteenth century, the Papal government lived a hand-to-mouth financial existence, because of the frequent military emergencies. On the other hand, it enjoyed a notable advantage over most other governments, in that during a period of bullion famine a very substantial part of its revenues came from abroad in the form of church taxation, and was payable in gold. To a considerable extent this offset the unfavourable balance of trade between the Papal States and Tuscany, and the sluggishness of revenue in the Papal States, which rose only slowly. The government also benefited from the frequent grain surpluses in the Papal States: it gained tax revenue from the issue of export licences, which could be important when crop failures were worse in Tuscany than in Papal Romagna and the Papal Marches, as they were at the end of the fifteenth century.

The standard gold currency of the Papacy in this earlier period was the florin of the Apostolic Chamber.[18] The most important silver currency was the Bolognese *solidus*, although the Roman silver currency was also much employed. Venetian gold ducats and the Florentine ducats (both *larghi* and *stretti*) can also be found in Papal accounting of the period. In the sixteenth century, the florin of the Chamber was replaced by the Papal *scudo d'oro in oro*, which had a rather smaller gold content, but was none the less an important international currency. However, from the mid-sixteenth century Papal accounting outside the *Dataria* office was mostly in the silver *scudo di moneta di 10 giulii*, which was at that time related to the *scudo d'oro in oro* roughly in the proportion of 1:1.25. In the 1530s, the gold–silver relation had been approximately 1:1.08; in the 1590s, it slipped to 1:1.2, then to 1:1.3 in the early 1620s and to 1:1.4 by the mid-century. By the last quarter of the seventeenth century, the relation of gold to silver was 1:1.5, and silver continued to slide during the first decade of the following century, at the end of which it stood at about 1:1.65. The venal offices were bought from the Papal *Dataria* in gold currency, and Papal taxes on their alienation were similarly payable in gold. But the revenues and remuneration were payable to the office-holder in silver save in exceptional cases, and there was consequently a permanent advantage to the Popes, who borrowed in dear currency to repay in cheap: the advantage was compounded in periods of especially sharp silver devaluation. This meant that until Urban VIII (1623–44) doubled the *Monti* issues, something approaching half the Papal debt was issued

[18] Partner (1980), 40–2; Stumpo (1985), 23–42.

on terms which were extremely favourable to the borrower, and even in the second half of the seventeenth century, when the total loans funded in *Monti* had risen greatly, offices (though a smaller proportion of the debt) were still a cheap way of borrowing because of the rapidity of silver's decline in comparison with gold.

The most notable use of bullion by the Popes was the establishment by Pope Sixtus V (1585–90) of a 'treasure', initially valued at 3 million gold *scudi* and 1 million silver *scudi*, stored in Castel Sant' Angelo.[19] The stated purpose of this hoard was to provide against a future Crusade, or against a severe famine in the Papal States, or foreign invasion, or wars against heretics invading Catholic countries. The treasure was financed mainly by borrowing in bond issues and new offices: it must also have been necessary to convert silver assets into gold on a large scale, which in both the short- and the long-term must have brought a certain nominal increase to the value of the reserve. A treasure of this nature was not peculiar to the Rome of Sixtus V's time: a similar, but larger, treasure was amassed a few years later by Venice in view of probable future wars with the Turks. The Papal reserve may also be regarded as a kind of additional backing for Papal borrowing, though this view did not commend itself to contemporary Papal officials. Their reluctance was perhaps commendable, since the 'treasure' was raised by borrowing, and may be regarded in some respects as forming part of the Papal debt. From the point of view of the economy of the Papal States, this policy was mistaken, and within fifteen years of Sixtus V's death a Papal official was recommending the release of 1 million *scudi* from the 'treasure' in order to stimulate the money supply in Rome. But such advice was disregarded and although substantial drawings were made from the 'treasure' during the century following its establishment, usually in the context of wars by Catholic powers against heretics or infidels, many (though not all) of the withdrawals were replaced.

The big increases in taxation in the Papal States that took place during the sixteenth century cannot be attributed to a single cause. Increases in prices and wages were clearly important. So too were the increases in farming profits, although there is no reliable estimate of these and there were sharp variations in the sector due to war, climatic disasters, plague and famine: the depression of the last decade of the century is notable. Fiscal policy was as critical as might be expected: the big extension of tax liabilities to church and noble estates in mid-century was a turning-point. Demographic increase does not seem to have been a big factor: the Papal States experienced a weak or negative population increase during the period, on present published evidence. The unequal distribution of

[19] Partner (1980), 30–1.

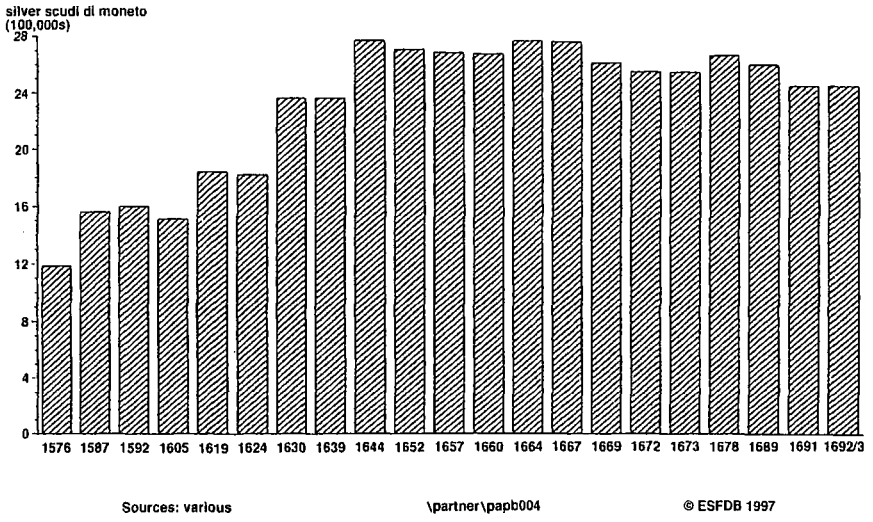

FIG. 11.4 Total Papal income, 1576–1693

the tax burden among Papal provinces in relation to their population makes the demographic factor yet harder to assess.

On a very approximate estimate, it seems possible that in the hundred years from 1520 prices doubled in the Papal States, while wages rather less than doubled. During the same period taxation approximately quadrupled. This increase appears to have been divided more-or-less equally between direct and indirect taxes. But during the forty years following 1620, during a period of recession and price stability, taxation in the Papal States increased by 60 per cent or more (Figure 11.4).[20] Most of this large increase was collected through indirect taxation. The comparison with the Kingdom of Naples, probably most akin among Italian states to the Papal States in social and agrarian organization, though still with wide differences, is instructive.[21] The Kingdom lacked the financial sheet anchor of the Roman Court and the prestige of the Papal office, and in addition was tied politically to a foreign power. Between 1560 and 1630, Neapolitan government expenses quadrupled and the state debt was multiplied by a factor of something like three and a half. Direct taxes were doubled, but indirect taxes rose by a factor of fifteen. By 1622, the annual budget deficit almost equalled total state income. Between 1611 and 1620, the currency was devalued

[20] ESFDB \partner\papb004 based on \papd004.

[21] There is a recent survey of relevant financial material in Calabria (1991).

by 33 per cent, a notable variation from Rome, where there was no devaluation until 1684, and then only by a modest 4.7 per cent.

It has been argued that the idea that the Papal States paid the social and economic price for the policies of European prestige followed by the Holy See is mistaken, and that the huge influx of money from Catholic Europe into Rome (much of which went unrecorded in Papal accounts because paid directly to the clergy of the Roman Court) compensated the inhabitants of the Papal States for the distorted investment policies of the Papal government. The assertion cannot be proved without a detailed knowledge of the internal financial structure of the Roman Court which does not at present exist: in particular, no one knows how much money accrued to clerks of the Roman Court from benefices outside the Papal States that they held as absentee pluralists. Something is known of the finances of a few quite exceptional clergy such as Papal nephews, and some data survives for the global clerical revenue of the Cardinals, but this does not suffice. The fee income of the Roman Court officers cannot have been as large as has been suggested,[22] since it had to be copiously supplemented from taxes in the Papal States in order to make it worthwhile for the officers to buy their places. The falling agricultural production of the Papal States during the seventeenth century, and the failure to develop anything resembling a productive entrepreneurial class, or even to conserve existing textile production in rich areas like Bologna, suggest that the well-documented economic weakness of the eighteenth-century Papal States was fully present in the preceding century. The extent to which this weakness can be attributed to an excessive tax burden is hard to assess. The common assertion that the Papal States were sacrificed to the 'universal' aims of the Popes is unproven, but it remains arguable that Papal policies did little or nothing to prevent the economic decline of the lands under Papal rule.

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[22] The suggestion is made by Stumpo (1985), 52–63, 212–18. See also ibid. 298–305.

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CHAPTER 12

Venice

Jean-Claude Hocquet

The case for giving the Republic of Venice a place in a volume on the rise of the fiscal state in Europe is not, perhaps, self-evident.[1] Yet without falling into the trap of 'scholarly patriotism', when historians allow themselves to be carried away by emotional attachment to their subject, it is essential to react against the attitude which denigrates the Republic for its supposed moral decline and late eighteenth-century inability to reform. The history of Venice cannot be found in the *Memoirs* of Casanova. Venice was no model modern state, although its institutions and mode of operation display many modern characteristics. An extraordinary complex election process[2] often produced doges from among the most gifted members of the *Serenissima*,[3] who once in office pursued the military, naval and religious policy of the time with daring and skill. The city was able to extend its domination over the feudal lords and over its ruling class, the merchant patriciate. It also succeeded in reconciling the peasantry of the Terraferma and, within the span of the fifteenth century, aroused in them a national and patriotic sentiment, articulated by the cries of 'Marco! Marco!' uttered by the peasant militia against foreign invaders.[4] Admittedly, the Venetian state followed a centralizing policy which was not that of the contemporary state, but all decisions were taken in the councils of the old Commune, which respected the decisions of the councils and particularisms of the conquered communes.[5]

The purpose in this chapter is to show that the fiscal system of the Venetian state was characteristic of a commercial republic whose main long-term aim was

[1] The author and the editor thank Dr Juliet Vale (Oxford) for kindly translating the text of this chapter.

[2] Maranini (1931), 273; Cecchetti (1864), 269; Tucci in Benzoni (1982), 116–17.

[3] Finlay (1982), 147–65. There are biographies of some of the doges: Cozzi (1958); Seneca (1959).

[4] Cozzi and Knapton (1986), 91–5; Gilbert in Hale (1973), 274–92.

[5] Ventura (1964), 39–51.

to protect and develop trade. External trade was the prerequisite of economic investment. The *Signoria* attempted (ultimately successfully) the fiscal unification of the entire state and its social base,[6] its policy being to tax goods rather than people. The state adapted in response to economic change, since a first stage dominated by customs duties[7] was followed (after a trade crisis) by a fresh phase in which more reliance was placed on taxes on land and agricultural production. The sale of the 'common lands' in the seventeenth century echoed to a certain extent the English enclosure movement, while the growth of the state sector was a modern characteristic.

I

In the more traditional states which did not establish a formal budget, it is usually argued that the level of expenses determined the revenue need. This applied to extraordinary expenditure related to war, or for the unexpected—a natural, agricultural or medical disaster such as an epidemic. But in the states of the *ancien régime*, if new or increased taxation initially had an exceptional character, since it was imposed as a consequence of war, very soon it became regular, habitual and permanent. War was the key to expenditure, notably on the wages and food required by the mercenary companies and their captains (*condottieri*). These men were not content with promises or letters of credit and had to be paid in gold coin.[8] In the Venetian accounting system, with its system of assignments which consisted of paying for an immediate item of expenditure on a future return from taxation, revenues took precedence over expenditure.

War did not absorb the entire fiscal revenue of the Venetian Republic. The state also spent money in peacetime on internal and external security, with the maintenance of troops, fleets and fortresses; on services to uphold law and order; and on diplomatic representatives at foreign courts. Venice had to meet heavy expenditure for civil works, improvements to the town, embanking rivers, preserving the lagoon (its natural wall of defence) and teaching at the University of Padua. Finally, apart from the administration, the Republic also financed commercial activities through subsidies on shipbuilding and imports of wheat and salt. There were thus various types of expenditure but that on warfare was a particularly heavy burden. In contrast to states relying on land warfare (which in earlier periods relied heavily on infantry and cavalry with a minimum of equipment, though artillery added to the cost) the *Signoria* had to

[6] Chittolini (1979).

[7] Preto (1977).

[8] Mallett in Hale (1973), 121–45; Mallett and Hale (1984), 525; Mallett (1989), 280; Hale (1990), 376.

make its priority the protection of its trade routes to the Levant. Virtually without interruption it fought the remnants of the Greek Empire, and then a rival city-state, Genoa, until the end of the fourteenth century. After this time, Venice had to confront a much more formidable enemy, the Ottoman Turks. The Ottomans were supported by a constantly expanding empire, supplemented by their vassals in the Maghreb or pirates in their pay. Naval warfare required significant levels of manpower, hundreds of ships and artillery. The Arsenal which built and equipped the galleys was always one of the main items of public expenditure, because of its requirements in wood, hemp, linen, metal, gunpowder and arms, as well as those of the work-force of carpenters, caulkers, sail-, oar-, rope-, cannon- and crossbow-makers.[9] All the Republic's efforts were concentrated on the Arsenal, an endeavour all the more intense because war impeded maritime trade and the collection of revenues and customs dues generated by commerce. The private building yards which constructed the sailing boats, ships and armed cogs, sustained almost continuous activity since the rhythm of destruction and replacement of ships was rapid in time of war.

Yet at the same time Venice had to undertake land warfare, to secure free passage to the markets to the north and prevent its ports from being dominated by hostile powers. In the fourteenth and fifteenth centuries, the Republic fought in order to conquer the Terraferma on mainland Italy in the plain of the River Po; later, it had to go to war from time to time to defend the Terraferma against European coalitions.[10] A crisis might arise when war had to be waged on two fronts simultaneously, against the Turks at sea and foreign invaders in Italy. After the Spaniards gained their permanent outpost at Milan, the House of Austria became Venice's most formidable enemy. From the mid-seventeenth century, absorbed in the defence of the remnants of its colonial empire in the Levant, Venice took increasing refuge in prudent neutrality in the great European conflicts. The policy of armed neutrality was also pursued in the eighteenth century.

What were the real costs of war? War was financed by loans, and interest payments on the public debt should therefore also be seen as deferred military expenditure, an expense from previous wars. There was a rapid growth in military expenditure in the fourteenth century: in 1343–4, the Commune spent *c.*250,000 ducats, of which 20,000 were for interest payments on the consolidated public debt. At the time of the Peace of Turin, after the two great wars against Genoa in the second half of the century, interest payments on the debt reached

[9] Concina (1983), 280; Concina in Tenenti and Tucci (1991), 147–210, 211–58; Aymard, ibid., 259–84; Vergani, ibid., 285–312.

[10] Cozzi and Knapton (1986), 3–96.

250,000 ducats. The Terraferma was dearly bought. In 1432, the figure of 1 million ducats per annum was exceeded, while accounts for the second half of the fifteenth century reveal revenue levels at *c.*1.15 million ducats. The war against the Carrara (1404–6) may have cost 2 million ducats; further conquests between 1428 and 1438, another 7 million; the long war against the Turks in the 1470s, 1.2 million per annum. No Italian state was capable of maintaining such a level of expenditure and Machiavelli accused the *Signoria* of winning Italian territories with money and shrewdness rather than by war. Knapton has demonstrated that the peacetime cost of defence in the 1490s was 170,000 ducats for mercenaries; 90,000 ducats for castellans and garrisons in Italy; 100,000 ducats for the Arsenal, with additional money spent on the *Stato da mar* and still more for the cost of naval patrols.[11] For the period 1555–1609, Pezzolo has compared the cost of different items of military expenditure (army, navy, Arsenal, fortresses, gunpowder) in years of war and peace. The army absorbed 40 per cent of the cost of military expenditure, the navy 30 per cent and the Arsenal between 15 and 25 per cent. But there were also 'invisible' expenses, not paid at Venice, which were incurred in the *Stato da mar* and which should be added to naval expenditure. Military expenditure rose significantly, from 38 per cent of total expenditure in 1555 to 58 per cent in 1574 and 63 per cent in 1609. In the same period, total expenditure rose by the considerable figure of 44 per cent, from 1.7 million to 2.4 million ducats.[12]

The accounts for 1736–55, that is, during the period of Venetian neutrality and a return to peace, have been analysed by Luigi Einaudi,[13] who emphasized the importance of defence and debt servicing costs which were the direct consequence of military expenditure. During the period of armed neutrality they were at roughly the same level (*c.*2.3 million ducats), but with the return of peace there was a relative increase (of about 10 per cent) in debt servicing costs, while military expenses were reduced by a quarter. The state maintained its creditworthiness with the same drive with which it defended its frontiers and territorial integrity. In 1783, military expenditure stood at 2.05 million ducats out of a total expenditure of 6.09 million, or 33.6 per cent of the total, subdivided between the Terraferma, Dalmatia, Levant and the Gulf. If the policy of amortizement of the public debt (that is, the arrears remaining from previous wars) is included under defence expenditure, in that year the Venetian state succeeded in paying 1.4 million ducats interest and in repaying 1.98 million ducats of capital, a total of 3.4 million ducats, or 55.8 per cent of expenditure. War and defence

[11] Knapton (1981*a*, *b*); Knapton in Borelli, Lanaro and Vecchiato (1981); Knapton in Cracco and Knapton (1984); Luzzatto (1929); Hocquet (1979).

[12] Pezzolo (1990), 119–45.

[13] Einaudi (1904).

costs combined with these arrears thus absorbed 89.5 per cent of state expenditure. The real total was probably even higher, for a new entry appeared in the accounts, for payments to *provisionati*, pensioners paid an annual sum (frequently old soldiers or wounded sailors): this item amounted to a total of 225,975 ducats.[14] The remaining 410,000 ducats were disbursed on the working of various central and peripheral administrative departments, to pay wages, service embassies abroad and pay subsidies to individuals who secured 'favours'. These civil expenses represented only 6.75 per cent of the total.[15] In reality, the bureaucracy was paid more than this. Besides their nominal salary, many officials and magistrates collected assorted commissions (*utilità*), a percentage of the money or sometimes a proportionate payment in kind on business undertaken or deals concluded. The Venetian state preferred this system in order to reduce the nominal salary costs of its officials in case of a shortage of cash (*strettezza di danari*).[16]

Was military expenditure a vain and unproductive squandering of resources? Italian historians have employed the concept of a 'public economy' to describe the operation of state expenditure. Thus the different headings of 'defence expenditure' were redistributed to all levels of society. Noble officers assigned part of their wages towards the expenses of equipment or recruitment of troops; the badly paid soldiers and sailors bought food, wine and clothing; all supported their own families. The money spent on the Arsenal went on the cutting, purchase and transport of wood, which involved paying woodcutters, boatmen and merchants, then on carpenters and the manufacturers of oars. It is difficult to calculate the contribution of the activities of the Arsenal in the gross product of the economy of the *Dominante* (the Republic's conquered territory), but it was not unimportant for local trade and those who owned property suitable for lodgings. Building fortresses required a substantial work-force, notably of landless peasants required for forced labour services paid directly by the communities, or by peasants who could only stay on their land by paying for the services of a replacement.[17] Here we find exemplified Braudel's concept of the state as a powerful redistributor of income and the biggest contractor of the period.

The state found the private banks a useful partner in its entrepreneurial activities. Between 1448 and 1473, five Venetian banks advanced over 200,000 ducats secured on the Salt Office. When, in 1465, at the start of the Turkish War,

[14] Ventura (1972). [15] Ibid.

[16] Few magistrates have been the subject of specific study from this point of view. Among the exceptions are: Zannini (1993), 148–51, which has a brilliant discussion of the *regalie e doni*; Hocquet (1995), 59–60, demonstrates how the magistrate paid for aids or *fanti*; Gasparini (1993), 250.

[17] Concina (1983).

the Senate charged the Salt Office to pay out around 230,000 ducats, a sum which far exceeded the receipts for the year, the Office had to turn to the banks and borrow money from them in anticipation of its receipts.[18] In the same way, the Office paid its creditors, the merchants who imported salt, by transfers made through a bank. However, as far as public finance was concerned, the need for a public bank at Venice had become evident quite early on. Such a bank had been proposed as early as 1374, in order to regulate the creditors of the state in *partita di banco*, in paper money, by transcribing their credit into the registers of the bank with full authority to pay. In fact various offices,[19] the Office of Salt, the Office of Wheat and the Mint, assumed aspects of these functions.[20] It was not until the year 1587 that the state created the Bank of the Rialto, which accepted cash deposits, made payments by credit transfer, paid interest to depositors and accepted bills of exchange.

In 1619, the *banco giro* was created, which made possible the transfer of credit notes from the state to third parties with full authority to pay, unlike many other bills (*prestiti*, receipts of the Salt Office and so on). This new bank could be used for the payment of taxes, up to a maximum of half the sum owed. But the *banco giro* did not receive deposits directly from individuals. Instead, individuals took their money to the Mint, which credited the depositors on the books of the bank.[21] It was only in 1666 that individuals were able to make cash deposits in the bank; to have such deposits credited to their account in money 'of the bank'; and to use such money for all their payments. The *banco giro* was never an issuing bank; nor was it a central bank or a credit agency for individuals. It always remained an agency offering deposit facilities for the state debt and one which established credit facilities for its creditors. But when the state experienced financial difficulties, it was forced to block the assets of the depositors and refused to allow them to draw in cash the sums credited to them until the situation returned to normal. In 1738, Girolamo Costantini, the accounting officer of the *deputati e aggiunti alla provvision del danaro publico*, proposed that all public money should pass through the bank in order to establish a central state treasury. But the 'deputies' only accepted the technical aspect of his recommendation, namely that all cash transfers between one office and another should be made in *partita di banco*.[22]

[18] Hocquet (1979), 110–12.

[19] Venice also utilized the sale of offices as a means of raising capital finance: Mousnier (1970), 387–401.

[20] On the history of medieval banking at Venice: Müller (1971, 1975, 1977, 1979, 1980, 1981, 1984, 1987, 1988); Müller in Ortalli and Knapton (1988), 321–60. Above all: Lane and Müller (1985–97).

[21] Luzzatto (1934), repr. in Luzzatto (1954), 224–58; Tucci (1973).

[22] Ventura (1972), lxi.

II

For a long while Venice balked at direct taxation on income or on movable or immovable assets and property. The commercial city preferred to rely on indirect taxes (*dazi*) levied on trade (customs duties), business transactions and consumption, of which some products were administered as a monopoly (salt, later brandy and tobacco). A list of these taxes would be endless; they were often doubly discriminatory, both socially and territorially. At the time of the Commune, when the state was reduced to the town and the old duchy (the islands of the lagoon), two different rates were levied on commodities, the fortieth (2.5 per cent) when they were transported overland and the fifth (20 per cent) if they were shipped across the Mediterranean. In all cases, Venetians paid an eightieth (1.25 per cent).[23] This was a considerable advantage which gave legal sanction to their monopoly.

Venice was not a place of transit but an *emporio*, with guaranteed functions as an intermediate port of call and an entrepôt. Transit had to be expressly forbidden to create the *emporio*.[24] This policy had a number of consequences, many of which were linked to public finance. It was obligatory for foreigners who wanted to send goods to the Levant via Venice to sell them, after they had paid import duties, to those Venetians who alone had the legal status to trade; if they wanted to acquire products from the Levant or the East through Venice, they could only buy them from Venetian citizens. All trade from and to the Mediterranean across the Rialto was reserved for Venetian citizens who were merchants and shipowners. This trend was reinforced by a decision taken in July 1316, when a commission of 'Wise Men' had undertaken to review the *estimo* of new citizens nominated in the previous twenty-five years. The declared aim of the inquiry was to force new citizens to contribute loans (*prestiti*) according to the level of their assets directly or indirectly invested in trade. Since at this time Venice systematically avoided recourse to loans to the state, this was a protectionist measure, designed to limit the commercial activity of immigrants and not to increase the yield of the *prestiti*.

Venetian exclusivism was further reinforced by a decision on 5 August 1324, when the councils forbade the investment in any profit-sharing sea loan (*colleganze*) of a sum greater than that recorded on the *estimo* which provided the basis for the *prestiti*. The Senate limited the value of goods which any Venetian could import or have imported into Venice to the total amount of his estimated taxable estate (*quod faciunt de imprestitis*). Since economic development

[23] Besta (1912).
[24] Hocquet (1997*a*).

depended to a large extent on the ability of businessmen to find credit and on their skill in investing in trade sums which were greater than their capital assets, these semi-fiscal, semi-commercial arrangements must be seen as a deliberate attempt to keep business profits for the richest citizens, who were listed in the *estimo*. The measure also generated tax income: Venetians who lived outside Venice and did not contribute to forced loans could only sail and trade with the sums which they actually possessed in cash and had declared to the representative of the Commune (*baile*) so that they could be taxed in the future. The measure undoubtedly had a class dimension, for the social group of patricians and the richest citizens intended to keep for itself the greater part of the profits of maritime trade, by transforming the financial system of the Commune (the *prestiti*) into a fiscal measure limiting commercial transactions for their exclusive profit.[25]

Venice pursued a policy which favoured its interests in maritime trade and from which it derived a fiscal advantage from a variety of taxes on imports and exports (*intrada*, *insida*, *transito*, *stallagio*, *cottimo* and the *Fondacco dei Tedeschi*). In the earlier period, the state sought to exploit the relationship of domination which it had acquired through conquest: the conquered territory was the *Dominante*, the state the *Dominio*. This attitude had serious consequences with regard to the levy of customs duties and the circulation of goods. Del Torre has shown that in a period of recession, at the beginning of the sixteenth century, the protectionist behaviour of the Venetian patriciate accentuated the decline in economic activity. The introduction of foreign goods into the Terraferma through the ports of Genoa and Ancona roused the Senate in 1503 to recall that it was compulsory for all goods to pass through Venice.[26] Subjects of the Terraferma *oltre mincio* (the Lombard provinces) who purchased the raw materials supplying their manufactures from the neighbouring Duchy of Milan found themselves forced to have them come first to Venice to discharge the entry and exit duties before bringing them back home to Brescia, Bergamo or the valleys. In 1519, the customs of Polesella were increased at various rates from between three and seven times to induce the merchants to redirect their trade via the intermediate port of the Rialto. The following year a large amount of the trade which arrived at Verona, destined for the fairs, was diverted to the Venetian *emporio*. The subject people responded to this reinforcement of the regulations by increased smuggling which deprived the Venice route and its tax system of the expected increase in revenue.[27]

The intensification of these trade crises made reforms imperative, however.

[25] Cessi (1952*a*, 1952*b*).
[26] Torre (1986), 118–26.
[27] Ibid. 122–4.

Facilities for the payment of imports by sea had gradually to be established, and a reduction in tariffs secured. In 1563, the *dazio dell'uscita* was standardized for all merchandise exported by land or by sea and reduced to 5 per cent of the value of the goods (*ad valorem*). In 1577, taxes on merchandise from the Levant were reduced to 6 per cent on entry. In 1579, those on imports from the western Mediterranean varied from 6.75 per cent for citizens of Venice to 10 per cent for foreigners, and in 1626 products from India coming from the Straits of Gibraltar (that is, from the Atlantic) were made subject to this tariff. In 1661, the 6 per cent tax was abolished; Venice then became a 'free port' for commodities from the Levant, but this removal of restrictions did not bring the anticipated benefits, and in 1683 the tax was re-established under the name of *nuovo stallagio*. It was only in 1794 that the unification of the territory for customs purposes was achieved: all foreign merchandise, which had paid import levies on entering the state, could circulate 'free and exempt from province to province', in the same way as goods and raw materials produced in the locality.[28]

Taxes on consumption were named after the commodity taxed (wine, oil, fat, iron, hemp, wood and charcoal; grain was treated separately). These taxes (*dazi*) were levied either in relation to value (*ad valorem*) or by weight (*ad pondus*). There were also various taxes on changes in property ownership; on brokerage (*messetaria*); there was a 5 per cent tax on inheritance, a tax on notarial transactions, and so on. Such taxes might be levied directly (*per conto pubblico*), farmed out (*per affitto*) or paid as a lump sum (*in limitazione*). In the last case, the taxpayers had to assemble as a body (whether as a parish or a trade guild) to pay a specified annual sum, after which the tax was shared between the members in proportion to the *estimo* or according to the importance of the business.

Some commodities of prime importance, such as meat and salt fish, were managed as monopolies and leased to bidders (*appalti* or *partiti*). The tax on meat and the supply of butcher's livestock from the mountains or from abroad were rights ceded to those prepared both to keep the city and the duchy well supplied and to offer the highest tax yield. There was a significant increase in the rents of the farm: in 1285, bids of 6,635 *lire ad grossos* were secured, but a rent of 93,514 *lire* was obtained in 1436, 141,000 *lire* in 1507 and 152,000 *lire* in 1508. This increase in rates is evidence of the weakening of the *lira* and the increasingly heavy burden of taxation, but it also demonstrates a change in dietary habits and increased meat consumption at the end of the Middle Ages. The animals were slaughtered in abattoirs belonging to the Commune, which also rented out counters where meat was sold at fixed prices (*calmiere*). The farmer of the

[28] Besta (1912), s.v. 'I dazi'.

monopoly supplied the Arsenal with as much suet as was needed there, and the rest was made into candles. Finally, so that there would not be a shortage of meat in Venice, which was potentially at a disadvantage because of its isolated position, the animals were sold at a lower price in the cities of the Terraferma.[29]

There were numerous *dazi* and no commodity escaped this tax, which comprised a significant proportion of the revenue of the tax offices. The taxes were heaviest on wine and oil, salt being a separate case. The tax on wine was equal to one-quarter before 1263: 20 *soldi* per *amphora* when wine cost 4 *lire* or more, 15 *soldi* if the price was less than 20 *lire* for the *amphora*. In 1263, the rates went up to 30 and 20 *soldi*. In 1579–80, separate rates, determined by their origin, were imposed on different wines: those of the Terraferma brought by river and the wines of Dalmatia produced by Venetian subjects paid a preferential rate of between 18 and 26.5 *lire*; malmsey and Mediterranean wines 31 to 33 *lire*; wine which arrived by sea from Trieste, 35.5 *lire*. In 1783, the Office of Wine collected 284,326 ducats at Venice, but it is difficult to be certain whether this was a customs duty or a levy on consumption, and whether this affected only the *Dominante* or the Terraferma as well. This problem is frequently encountered: it is almost impossible to separate out the various elements of state and local finance, while towns and communities also had requirements which were financed locally. Fortunately, the *Bilanci* provide a detailed statement (*distinzione*) of the *dazi* of the Terraferma. At Bergamo, for instance, there were different taxes on wine: one, when it was put into barrels, was paid by the producers; another was paid by the consumers of wine when served at inns (*vino a spina*). Since all these taxes were classified according to their destination (*cassa militar, cassa libera, cassa obbligata*) for each of the provinces, any classification and recalculation is difficult. At Bergamo taxes on wine brought in about 7,400 ducats in 1783.[30]

Oil, which was always sold by weight, was heavily taxed. In 1580, 1,000 pounds of imported oil paid an import duty of 6 ducats 15 *soldi* (payable by citizens) or 6 ducats 1 *lira* 13 *soldi* (paid by *forestieri*, or non-Venetians). Every importer had to leave one-fifth at the *Ternaria* at an agreed price, 'so that the less fortunate classes in Venice should never go without'. Oil that was re-exported paid differential exit tolls, higher for Germans than for Venetian citizens. Finally, throughout the Venetian state, consumption was taxed, 1 *soldo* to the *lira* in 1625, 2 *soldi* in 1626, 4 *soldi* in 1704. Oil always paid two *dazi*, either entry and exit tolls, or an entry toll and a tax on consumption.[31]

[29] Bianchi (1861), 477; Luzzatto (1954), 285–97; Braunstein (1977), 89 n. 21; Braunstein (1978), 20.

[30] Ventura (1972).

[31] In 1783, the *Ternaria vecchia* collected 9,817 ducats for oil delivered to Germans and 154,192 ducats for the tax on consumption. On the olive oil commerce at Venice: Mattozzi (1980), 251, table 7B. For the 18th cent.: Ciriacono (1975), 179; Costantini (1996), 14–16.

Grain benefited from a special regime, the variations of which are an indicator of Venice's territorial growth and the shifts in its economy. Before 1339 and the conquest of Treviso, the Venetian state was limited to the islands of the lagoon and a few parts of the coastal mainland between Grado and Cavarzere, extended by part of the empire of Romania. The lagoon area did not produce any grain, instead concentrating on market-gardening and wine. All grain came from the Terraferma[32] or through maritime trade, and the authorities were obsessed with the need to keep the Commune's granaries well supplied, a task entrusted to the Office of the Commissioners *alle biave*. The requirements were considerable: in 1342, the granaries stored 365,559 *setiers*, that is 230,000 metric quintals, the administration calculating what was needed at 1,000 *setiers* per diem, or a daily ration of 1 *lira* per person. A proportion of the grain entered the city duty-free, that part paid as property rent by patricians[33] and monasteries with possessions in the Terraferma;[34] deliveries made by the communes were subject to taxation. But news of poor harvests in the Po Valley alarmed the councils, which took steps to subsidize imports by sea, sending fleets to Apulia, Sicily and Romania, to all the *caricatori*, and which guaranteed the merchants advantageous purchase prices.

The conquest of the Terraferma brought some slight improvement. Venice could henceforth control the market and orientate the sale of grain towards its own local market.[35] However, there was continuing reliance on subsidized shipments of imports by sea. The market for grain therefore continued to benefit from the redistribution of public revenue: in 1483, those importers who made a firm undertaking to import grain that year (*obligati*) were promised a subsidy of 10–25 *soldi* per *setier*, depending on the distance of the *caricatori* (the Black Sea, Thessalonia and Thracia, Greece, Sicily), and repayment of two-thirds or a half of the bill (*tratta*) paid to the foreign authorities who sold these export licences. Those who did not sign a contract before departure received only half these benefits. There were heavy penalties for *obligati* who did not stand by their agreements. This system operated for nearly four centuries.[36]

From the end of the sixteenth century and into the seventeenth century, the

[32] On Venice's dependence on the landholdings of the Paduan plain for its grain supplies: Rösch (1982), 159–64; Peyer (1950), 94, 100. On the *politica annonaria*: Pane (1946); Mattozzi (1986). On Venice's role in redistribution: Arenson (1994); Malowist (1978), 465. On the trade itself: Aymard (1966). On the administration of the *annonaria* and the commissioners *alle Biave*: Leduc (1967).

[33] Following up the innovative article by Lazzrini (1949), Pozza (1982) has emphasized the precocious development of Venetian investment in land in the Terraferma. Ling in Ortalli and Knapton (1988), 306; Dean (1986), 89. Mometto (1992), 81–6, studies the period after the acquisition of landed estates and in particular the rent payable in grain to Venetian proprietors. See also Corazzol (1979), 112.

[34] Modzelewski (1962, 1963–4).

[35] Ventura in Cracco and Knapton (1984), 221; Ferraro, ibid. 159–82; Knapton, ibid. 33–115.

[36] Hocquet (1997*a*).

general slowdown of the economy, in trade as well as industrial activity, directed the investments of the patriciate towards the area which had best weathered the crisis, namely the food and agricultural sector. Agrarian improvement was energetically pursued by such means as the embanking of rivers, the draining of low-lying lands, the colonization of land by patriciate *villae* and the introduction of new crops such as maize. The problem of regular food supplies for the city was now addressed. Venice continued to import all its required foodstuffs, but these now came almost exclusively from the Terraferma, which also exported its surpluses abroad. The volume of internal and external trade was significant: in the 1780s Venice imported annually 350,000 *setiers* of wheat, 100,000 of maize, 25,000 of rice, 35,000 of legumes (broad beans and haricots) and 15,000 of rye. The value of this trade was 1.5 million ducats, which Venice balanced with sales of oil (600,000 ducats) and salt. In 1783, the *Cinque Savii alla Mercanzia* issued 22 bills for export in return for thousands of *setiers* of wheat, maize, broad beans, haricot beans, rice and oats. This policy had begun in 1744, when the Senate authorized the export of grain if the price *in fontico* did not exceed 18 *lire* a *setier* for wheat or 9 *lire* for maize. The Commissioners for grain had observed that exports supported the exchange rate, while lower prices produced a fall in revenue, and that this made it difficult to levy revenue from private citizens.

In 1754, customs duties on exit were abolished and the Senate promised to reimburse merchants for the entry toll which they would have had to pay in the importing port. This decision demonstrates that Venice had not renounced trading and harbour functions, but that the city aimed to make cereals an object of maritime trade. This was certainly a policy which favoured the interests of the patriciate and the great property-owners, but all forms of agriculture throughout the Terraferma benefited and, in this sense, the fiscal motives of the reform were in the direction of the territorial unification of the state.[37] Economic shifts in the regulation of the food supply problem favoured the imposition of various taxes on the grain trade, such as on milling and baking. In the *Dominante* in 1783 the *officio delle biave* collected 177,000 ducats, but the two taxes on milling and baking (*dazi macina* and *pestrin*) were also levied in the provinces of the Terraferma, where they yielded much smaller sums (10,168 and 4,289 ducats respectively at Brescia; 9,020 and 3,373 ducats at Verona).

The arrangements concerning the salt monopoly require special treatment. It was not only a commodity and a source of tax, but also a navigation subsidy and a means of payment for imports from the Terraferma. Thus, it occupied a central place in the trading, political, financial and social system of the Venetian Republic. It was managed as a monopoly, but its production and trade, closely

[37] Dal Pane (1946), 338–9.

regulated, was entrusted to individuals, while resale was granted as a lease (*appalto*) to farmers who purchased *partiti*. Until the end of the twelfth century, the salt production of the lagoon, increasingly concentrated around Chioggia, had been sufficient for the needs of the *Dogado* and a huge area stretching from the Alps to the Emilian Apennines, from Lombardy to Slovenia.[38] At the end of the twelfth century, Venice turned its salt monopoly to good account, by instituting the *dazio* for salt which, by raising the price, encouraged competitive production at Cervia, Istria and Hall in the Tyrol.[39] Production at Chioggia went into crisis from the beginning of the thirteenth century. The salt wars waged by Venice against her neighbours to force them to respect the Venetian monopoly and obtain their supplies exclusively from Venice reverberated throughout the century.[40] There was another side to the monopoly: Venice had constantly to respond to the demands of its neighbours and honour the agreements which it had imposed on them. From the end of the twelfth century, the merchants had taken the initiative and imported sea salt (*sal maris*), in other words all salt apart from that produced at Chioggia (*sal Clugiae*), and in the middle of the century Venice undertook to sell Apulian salt to the Lombard towns.

The acute Italian grain crisis of the 1260s had spurred the Venetians to explore in full the opportunities of the Mediterranean markets and to build bigger ships. But the economic slowdown after *c.*1280 posed the difficult question of the use and profitability of these larger ships. In 1281, the Great Council found a solution to encourage the *emporio* of the Rialto: it licensed merchants to import salt from the Mediterranean in proportion to the goods which they carried on the outward journey and, above all, it promised them a good price for it. This policy was codified in the *ordo salis*: salt and the subsidy for its import became an integral part of the commercial policy of the Commune. With the intensification of the trade crisis in the mid-fourteenth century, the licences granted to merchants increased in value, to 7 and even 9 gold ducats for a large barrel. Then, when there was a crisis in shipping and shipbuilding, the shipowners received subsidies and loans secured on salt. The policy of high licences was abandoned in 1519 but subsidies for shipbuilding were successfully maintained until 1570.[41]

This policy of subsidies for goods and navigation forced Venice to sell its stocks of imported salt. In the fifteenth century, the Venetian monopoly of the sale of salt stretched from the Marches and Umbria as far as the great Lombard lakes and to Slovenia, Dalmatia and its Slav hinterland, and of course the *Stato da*

[38] Hocquet in Cracco and Ortalli (1992), 515–48.
[39] Ibid. 713–36.
[40] Hocquet (1975).
[41] Hocquet (1978–9, 1990*a*).

mar. Sale prices were assimilated into a *dazio* which simultaneously combined the costs of production and transport as far as Venice, and the taxes which essentially constituted the price of assignment to tax farmers. This *dazio* was calculated in terms of several components. The taxpaying capacity of the population was taken into account: in mountainous communities such as those of Friuli the Slav stock-breeders paid less; the inheritance of the former lordships had not been altered and for a long while Verona (which had financed the expansionist policy of its old masters, the della Scala and Visconti) paid more for salt than the neighbouring provinces.[42] Thanks to the Turkish wars and the financial effort they required, Venice unified the *dazio* and the salt farms in all the provinces of the Po plain and the *Dominante* itself. From this point of view, the state was almost unified from 1571. A subject of Verona or Brescia paid the same price as a citizen of Venice.[43]

The Salt Office collected 165,000 ducats net in 1464, that is, 15 per cent of the income of the entire state. The figure had risen to 225,000 ducats by the mid-sixteenth century, despite the contraction of the Venetian salt market at the beginning of the century and the Papal embargo on shipping in the Po, which excluded Venetian salt north of the Po (it had become an entirely internal market, supplemented by some exports to the Valais, the Grisons and Milan). The revenue was paid net, for the tax farmers paid the merchants by adjusting the accounts (*sconti*) which, despite the vigilance exercised by the Commissioners, gave rise to abuse. At the beginning of the seventeenth century, revenue reached 300,000 ducats, thanks to the rise in sale prices. In 1783, the Salt Office yielded 842,426 ducats, a revenue centralized in the *Dominante*, but of which 731,146 ducats came from farms described as 'di qua e de là dal Mincio' from Padua to Bergamo. The same year the overall yield of the *dazi* reached 2.8 million ducats. Salt thus provided Venice with 30 per cent of its yield from indirect taxation. However, the cost of purchase of salt administered and transported in monopoly must be deducted from this sum, that is, 244,054 ducats registered henceforth as expenses, and some receipts which were not entered in the accounts at Venice.[44] Some communities continued to receive deliveries 'through the market': they bought salt and then could distribute it to the population for compulsory purchase,[45] a revenue which did not appear in the balance sheets.

[42] Hocquet (1988).

[43] Hocquet (1981*a*, 1981*b*).

[44] Such receipts included the *gabelles* of Dalmatia (41,372 ducats) and those of the Levant (Zante and Santa Maura: 1,777 ducats): Ventura (1972).

[45] Brazzale (1971), 61.

III

The existence of a public debt was evident as early as 1187 to finance the expenses of the siege of Zara. The doge received 16,000 *lire* and promised subscribers to assign 'all the income of the Commune from salt' to the repayment of their loans and to appoint Treasurers (*camerlenghi*) to collect this revenue.[46] The service of this first loan set up a new revenue administration and a better financial organization. In 1224, the Treasurers entrusted their income to those who had lent 1 per cent of their property for the dispatch of galleys to Romania.[47] The forced loan with its assessment presupposes the existence of the *estimo*. It also tended to supplant the voluntary loan (*mutuum*), but both carried interest. From the end of the thirteenth century, it was frequently used. It was always the responsibility of the Salt Office to ensure that interest payments were serviced and the debt was amortized: in 1276, the capitulary of the officers of the salt authorized them to keep up to 4,000 *lire* in the Treasury and to deliver the entire surplus to the Procurators of San Marco who assigned this money for the repayment of loans. The key features of the Venetian public debt were therefore already in place in the thirteenth century: forced loans bearing interest; repayment by means of the indirect taxes (the *dazi*), first and foremost from those on salt; and finally, the establishment of a deposit in the *Procuratio*.[48]

The following analysis of the development of the public debt is principally concerned with the relation between the evolution of the public debt and the trading economy. Until the mid-fourteenth century, the Commune guaranteed regular servicing of interest and repayments of capital, at a rate augmented by the *dazi*. The interest rate on bonds then remained close to par. The Black Death and war on land and sea against the Hungarian–Genoese alliance ruined this policy of equilibrium, and in 1363 all repayments of capital had to be stopped. The loans became perpetual credit, the interest payments on which were to demand steadily larger sums in the future. In order to avoid this constantly increasing expense, in April 1375 the Council voted that the state should henceforth repurchase the *prestiti* at the market rate. The Treasurers would pay 3,000 ducats each month to the officers in charge of the loans for the amortizement of the debt. The new war against Genoa (the War of Chioggia) was financed by loans, at a rate of 107 per cent of the capital of the *estimo*, that is about 30 per cent of real wealth—above all liquid assets—from 1377 to 1381. In the spring of 1381, the market rate of interest fluctuated at around 18 or 19 per cent. The funded

[46] Luzzatto (1961), 32–3.
[47] Hocquet (1979), 110–11.
[48] Ibid. 115–23; Hocquet (1995), 56, 70–2; Hocquet (1990*a*), 98–106; Ortalli (1993), 126.

debt rose to 5 million ducats and 250,000 ducats were required annually to service it.[49]

What repercussions did such a situation have on business activity and the money market? How were merchants able to finance their commercial activities and find capital sums in such a situation? In Venice in the fourteenth century, the *colleganza*, where profits were divided between the investor and the merchant at the close of the operation, remained the standard way to amass commercial and industrial capital. An annual rate of profit of between 8 and 15 per cent was generally achieved. When treasury bonds were bought at 80 per cent of the par rate, their nominal interest rate of 5 per cent brought the purchaser 6.25 per cent in real terms. The fall in the price of bonds, even with an official reduction in the interest rate, worked to the advantage of those who waited until 3 or 4 per cent of the par was reached, 12 to 15 per cent in real terms. Speculation on the *imprestiti* brought about the decline of the *colleganze*.

The *prestiti* had the advantage of producing an unvarying, secure and permanent income and, in a city largely without revenues from land, those who did not want to risk all their money in high-risk commercial or maritime ventures had no choice other than to purchase property or government bonds which would be paid in full. For it was accepted that the purchase of buildings would be made in bonds calculated at their current value. The bonds thus passed from hand to hand, and speculation produced a variable market rate. The trade in *prestiti* was further facilitated by the increased number of new taxes. The less wealthy taxpayers frequently sold their old securities in order to make payments for new compulsory loans, especially when the interest rates appeared to be falling. The rich profited from this situation by purchasing bonds and accumulating additional capital cheaply. In theory, direct taxation was based on the *estimo*, a system of fiscal assessment which took into account above all the property capital, rather than moveable wealth where evasion was easier. But the *estimo* was seldom reviewed and the system of the *prestiti* thus fell more heavily upon old-established wealth than upon that which had been recently acquired—or, as far as the rich were concerned, it affected inherited wealth more than investment income from capital invested in commerce. Those who had to sell in order to acquire new stocks continued to be taxed for that which they no longer possessed, while those who purchased new stocks were largely exempt. The system thus favoured the rapid circulation of property and wealth and operated to the advantage of those patrician families who were most dynamic in business and mercantile activities.[50]

Families in decline and those who suffered misfortune were condemned to

[49] Luzzatto (1963).

[50] Hocquet (1997*a*).

speedy ruin. The wardship of minors of the patriciate was administered by the Procurators of San Marco who invested the assets of the inheritance and assigned the profits to two heads of expenditure: pious and charitable liabilities *in perpetuum* and payments to the widow and orphans or to provide dowries for poor girls. The Procurators occupied a central position in the administration of the public debt, because of the operation of the deposits managed by the *casse* of the *dazi*, and they were invited to support the policy of amortizement of the debt by means of the property which had been entrusted to them.[51] As far as pious donations were concerned, the Venetians in fact stipulated that the property could not be alienated, but this 'mortmain' of pious and charitable foundations, which froze sales of land and buildings, had a disastrous effect on the market, and the Commune took measures to restrict the assignment of landed property to *pie cause*. In 1333, the Great Council declared all clauses of inalienability void: goods could not be used for religious purposes for longer than ten years. After that, they were to be sold.

In 1353, in order to finance the Third Genoese War, the Commune ordered a massive sale of goods administered by the Procurators and their payment was to be in government bonds surrendered at their nominal value. The old investment was thus converted into bonds which were 'conditioned' (that is, they were declared inalienable and not repurchasable, which respected the perpetual obligation). The sale realized 175,420 ducats and the wardships received an annual interest at 5 per cent (which cost 8,771 ducats). The *Procuratio* thus supported the trade in bonds and procured credit at a good rate for the state. But the state went further to reduce and eliminate its debt. Between 1377 and 1381, wardships had been taxed on their inheritance registered in the *estimo*. In 1382 the government offered settlement of its debt with the Procurators by means of bonds taken back in part-exchange at 60 per cent of their value (that is, a loss of 40 per cent) or the loss of all credit still remaining on these bonds, which then had a market value of between 40 and 42 per cent.[52] Despite the efforts of the state, the constant wars of the first half of the fifteenth century undermined the entire system. Interest payments had to be suspended, which precipitated another collapse of stocks on the market and in practice made it impossible to levy new *prestiti*: these had lost all attraction as a productive and transferable investment. At the time of the Peace of Lodi (1454), what would soon become the *Monte vecchio* had a nominal value of 8.27 million ducats, but quotations were lower than 20 per cent of the capital value and annuity payments were twenty years in arrears.[53]

[51] Hocquet (1997*b*).

[52] Müller (1971), 123–32, 167 n. 122, 174–84.

[53] Lane (1973*a*), 196–7, 324–6.

IV

There were experiments with various forms of direct tax (*impositiones*), notably by withholding the interest payable on purchased bonds for those who did not subscribe to the *imprestiti*. As a result, the nominal rate of interest fell to 4 per cent in 1382, 3 per cent in 1386 and 2 per cent in 1439. Even the salaries and commissions (*utilità*) of officials were subject to a withholding tax. Direct taxes (*gravezze*) had also been levied on the houses and goods of Venetians who were not subject to *prestiti* in the years 1382–6, and then again in 1452.

In 1463, the various taxes levied on different social groups (or 'bodies') were abandoned and replaced instead by a general tax, the tenth (*decima*). This required the drawing up of a *catastico*, in order to ascertain the income from property and goods of all Venetians, clergy included. The tenth also comprised a tax on interest on the *prestiti* at 4 per cent, and a 1 per cent tax on licences and goods as well as a tax (*tansa*) on shops. The tenth was thus a considerable innovation: the clergy were liable, and so too was land outside Venice. Venice was facing its first great war against the Turks: the introduction of the tenth was a response to this crisis, yet at the same time it reinforced the sovereignty of the state over the clergy and broke down the barrier between the *Dominante* and the *Dominio*.[54] During the Turkish War of 1463–79, forty 'tenths' were levied, each of which yielded between 75,000 to 80,000 ducats. But this strong fiscal pressure was still insufficient and there was further recourse to borrowing, with the establishment of refundable tenths besides those which were 'unrecoverable' (*perse*). The *Monte nuovo* was established to administer the refundable tenths; its capital initially achieved a plateau of 550,000 ducats but had reached 3 million ducats on the eve of the battle of Agnadello in 1509. The new *Monte* very soon suffered all the problems which had dogged the old *Monte vecchio*. Its quoted rate fell from 80 per cent in 1497 to 52 per cent in 1500 during the Second Turkish War.

War made it imperative to discover new resources by increasing direct taxes and the number of people subject to taxation. In 1499, the *tansa* was extended to all revenue, even those already subject to the tenth. There was also an attempt to establish a property tax on the rural properties of the Terraferma. Since the unit of measurement was the *campo*, the new tax was called the *campatico* in 1501. It was fixed at a level of 5 *soldi* for arable lands, meadows, woods, orchards and vineyards; and at 3 *soldi* for mountain pastures. But the new tax aroused the hostility of the local nobility and it had to be abandoned at a time when Venice needed the political support of the entire population of the Terraferma for the war effort. It was more than a century before Venice succeeded in subjecting the landowners of the Terraferma to the *campatico*.[55]

[54] Lane (1973a), 237–9.

[55] Borelli in Borelli, Lanaro and Vecchiato (1981), 7; Knapton, ibid. 25–31; Gullino, ibid. 69–76.

A new fiscal expedient was developed by the Venetian state after the War of Ferrara (1482–4): individuals were invited to bring their silver, gold, precious metals, jewels and plate to the Mint (*Zecca*). Those who did so were granted interest at the rate of 6 ducats per mark of worked silver, 6.25 ducats for coined silver and 76 ducats for gold. These loans were secured on the deposit of salt in the *Procuratio*. From 1495 onwards, the depositors were permitted to pay their tenths by including the sums deposited at the *Zecca*.[56] The disaster of Agnadello (1509) and the loss of the Terraferma deprived the Salt Office of its sales and resources, at a time when the total fiscal burden fell on the Venetians alone. On 21 September 1509, the Council of Ten created the *Monte novissimo* specifically for the Salt Office and assigned it an annual revenue of 6,000 ducats by increasing taxes on merchandise and on oil. From then on, the Office directly collected tenths and refundable taxes, the majority of which were paid for by means of adjustments to the valuable deposits handled by the Mint. The operation was very risky: the Venetian state sought above all to eliminate its past debts through the levying of new tenths.[57] It was in this climate that a new *dazi* was created, the tax on milling (*mesena*), and the duty on wine was also increased.

In the conquered subject towns the most important revenues came from the *dazi* levied on economic activity. Poor rural areas were subject to permanent direct taxation: this took the form of a special war levy, introduced in 1477 (the *collecta lancearum et peditum*, or *dadia delle lanze*), based on the carat of the *estimo*, paid in cash into the tax offices. Special taxes were paid by the less wealthy peasants: these took the form of *onera et factiones*, property and personal taxes (such as the *tassa dei cavalli*, which consisted of deliveries of hay and fodder), concessions of rights of pasturage, in addition to requisitioned lodging and labour service for work on the defences and transport of material. In short, each category of the population paid taxes in accordance with the perception of its available income and lifestyle. The urban consumer classes had to pay indirect taxes which were farmed out to the highest bidder by the tax offices. Direct taxes were heaviest on the more self-sufficient rural population. Those unable to pay were subject to labour services and deliveries of goods, the latter often of small commercial value but nevertheless indispensable to the army. The majority of these revenues were consumed *in situ*.[58] But everyone was subject to the salt tax and the entire yield was collected at Venice, where the tax farmers made their payments directly.[59]

[56] Hocquet (1990*a*), 355–61.

[57] Hocquet (1987), 217–18.

[58] Ferraro (1983); Grubb in Cracco and Knapton (1984); Parzani (1983); Romano, Spooner and Tucci (1960–1); Rossini (1983); Rossini and Zalin (1985); Varanini in Borelli, Lanaro and Vecchiato (1981); Varanini (1980, 1988).

[59] Hocquet (1986, 1990*b*); Hocquet in Ortalli and Knapton (1988), 271–90; Hocquet in Pecci and Ugolini (1995), 40–52; Hocquet in Elkar et al. (1996), 226–56; Hocquet (1997*c*).

By the beginning of the sixteenth century, there was a need to reform the obsolete system of taxation for military expenses and the way in which the army was billeted. The Senate established the *tassa delle genti d'arme* for billeting the cavalry in towns and castles rather than with the peasantry. In order to provide additional manpower, it established territorial militias (*ordinanze di archibugieri*), which involved subjects in the defence of the land.[60] The development of military technology thus led to new forms of service and profoundly altered the fiscal system, since a principal objective was to reduce the costs of the maintenance of the mercenary and professional army.

The Venetian state tried to associate the population of the Terraferma with its policies, as in 1516 when loyal subjects were asked to help in paying 100,000 ducats to persuade the Emperor Maximilian to evacuate Verona. The *Dominante* was invited to lend a sum which would be repaid two years later with the revenue of the *dazi*. All the cities of the Terraferma contributed, despite difficulties.[61] In 1524, Venice tried a new loan of 50,000 ducats. Three years later, soon after the sack of Rome, some towns (such as Padua) spontaneously offered money to Venice, which decided to extend the loan throughout the Terraferma for a total of 65,800 ducats. In 1528, two new subsidies were demanded, on which Venice agreed to pay interest at 5 per cent. The *Monte del sussidio* was established. Over a two-year period, the Terraferma had paid 200,000 ducats. In 1529, the situation deteriorated still further, and the Senate decided to impose a subsidy of 100,000 ducats on all the towns and villages of the Terraferma 'to be paid by everybody with the exception of the clergy and those who live only from work in the fields or by their own manual labour'. The tax was levied on goods not on persons. No repayment was envisaged, but the following year this extraordinary tax had to be renewed. The *sussidio* thus became a new tax for the whole of the Terraferma and no further recourse to the special loan system (*Monte del sussidio*) was required.[62] This was without doubt an important stage in consolidating the power of the Venetian state over its outlying region.[63]

The Republic had less success with the *campatico*. It attempted to reimpose this property tax on many occasions, in particular at the time of the War of the Holy League, but it ran up against the resolute opposition of the nobility of the Terraferma and the urban councils. They feared that their privileges would be challenged in favour of the new census of properties. This *catasto* would inevitably have revealed evidence of properties which had hitherto escaped all assess-

[60] Pezzolo (1983).

[61] Torre (1986), 68–71.

[62] Ibid. 77–9. On the policy of amortizing the public debt at the end of the 16th cent.: Beltrami (1957); Corti (1894).

[63] Capra (1990); Parker in Cipolla (1974), 527–94.

ment, including properties belonging to Venetians.[64] The latter feared that the drawing up of the land register would lead to disputes over the taxation of Venetian hearths and those of 'foreigners'. The issues were considerable and challenged the whole structure of relations between the Venetian patriciate, the various urban patriciates, the rural peasantry and rural communities.[65] Venetians themselves did not have to pay the tax; the nobles paid their taxes at the town, including such taxes as were levied on their rural properties: the 'territory' of Verona noted that between 1575 and 1627 the urban classes had acquired landed property from the inhabitants of the *contado* to the value of 1.75 million ducats. The result was that most of the fiscal burden fell on the peasantry and the burden became intolerable as a result.

Finally, on 16 May 1617, the *campatico* was established on the goods of Venetians. The tax took into account the extent of properties and the purpose of the land: arable lands, meadows and marshes were subject respectively to a tax of 30, 20 or 10 *soldi per campo*. The *campo* was a unit of surface measurement whose size varied with the yield from the ground. The Trevisan *campo* was larger (5,204 square metres); the Paduan *campo* more fertile (3,863 square metres). Both were taxed at the same rate in order to equalize the fiscal burden. After 1682, this property tax was levied at a fixed rate.[66] During the War for Crete (1645–69), Venice obtained 5.13 million ducats in direct taxation from the Terraferma (1.53 million of which came from the *campatico*), 1.4 million from the subsidy, as well as extraordinary levies and 800,000 from two *tanse*. The Terraferma was thus increasingly taxed, as the customs and trade revenues from Venice fell as a result of economic decline.[67]

Venice found another means of extracting money from the rural areas of the Terraferma: the sale of communal possessions. Since the conquest, Venice had confiscated the property of conquered lordships and proceeded to liquidate the inheritances of the Carrare, the della Scala, the Visconti and the Este, a large part of which became 'goods of the Commune of Venice' (*bona communis Veneciarum*) placed at the disposal of the rural communities. There were two categories of goods: some were *communali*, domain lands, above all woods and pasturage, held in usufruct by the rural communities and exempt from taxation; the others were *communi*, of which numerous villages claimed full possession (as allodial properties) and on which taxes had to be paid. In cases of necessity, the Venetian state could dispose only of the communal holdings, which were its own property. During the Italian wars, the Council of Ten envisaged putting up for sale

[64] Pezzolo (1990), 301–4.
[65] Beltrami (1961); Woolf in Pullan (1968); Borelli in Tagliaferri (1981).
[66] Besta (1912).
[67] Tilden Rapp (1986), 239; Campos (1936).

part of the domain holdings, freely granted. Their extent was not known and a *catastico* was consequently established, which took the entire summer of 1542 to complete in the Treviso region. The peasants were hostile (they had sometimes clandestinely appropriated parts of the communal land) and they received support from the local nobility. The nobles knew from experience that the sale would principally benefit the Venetian patriciate. Moreover, the reduction of communal pasturage to cultivated land would destroy the equilibrium of the system of cultivation which linked cattle fed on the common lands with work on the fields. The Republic then undertook a policy of defence of the common lands and opposition to expropriation, which culminated in 1574 with the nomination of three Commissioners for the common lands. In 1603 the Senate ordered a general census and in 1637 the Terraferma, with the exception of Cadore, Carniola and the Lombard lands, was stated to possess 209,000 hectares of communal lands, that is, 11 per cent of the total area devoted to agriculture.

In 1647, some months after the Turkish attack on Crete, the first sales of communal lands went ahead. To ensure that speculation did not prompt a collapse in the price of land, the holdings were divided into seven sections and only the first seventh was put up for sale, the six others remaining at the disposal of the communities. After 1649, it became necessary to sell the second 'seventh' and, in 1664, the third and so on. In all, between 1647 and 1727 (the year when such sales ceased) 89,000 hectares (42 per cent of the total) were sold, but by the end of the period of sales the best lands—those situated in the plain—had been alienated. The communities had secured the right of pre-emption, and from 1654 the Republic had stopped sales in the mountains to avoid deforestation and 'causing dykes to break when there are floods and the blocking of the lagoon with alluvial deposits'. Almost half the total of communal lands sold had gone to the Venetian nobility. There were considerable variations in price, from 140 ducats per *campo* in the plain to 8 ducats in mountainous areas. The auctions had yielded 3.32 million ducats, a considerable source of additional revenues, but one which carried with it serious social and economic consequences: social, in that it deprived the poorest of land on which to graze their small numbers of cattle; and economic or agronomic, in that the shortfall in fodder production resulted in a reduction in both cattle and manure, the shortage of the latter affecting cereal yields.[68]

It is difficult to estimate the wealth of the clergy in the Republic, but they paid taxes, in particular the *dadia delle lanze* in the fifteenth century.[69] The Venetian state steadfastly pursued a policy of control of ecclesiastical institutions in the

[68] Pitteri (1984, 1985).

[69] Knapton in Borelli, Lanaro and Vecchiato (1981), 33; Hocquet (1987), 219; Torre (1986), 20–47.

territory as a whole, which led to numerous conflicts with the Papacy. To help the *Signoria* sustain its wars against the Turks, the Papacy had granted the tenths normally paid by the clergy to Rome. But the Republic did not wish to ask for Papal consent every time it subjected the clergy to a new tax. It intended to exercise its sovereign prerogatives over all subjects, clergy included. The clerical tenth preserved its extraordinary character, since it was levied only irregularly until 1586. Between 1587 and 1605, it was levied virtually twice a year. The tenth was paid by all clergy, in the Terraferma, at Venice and in the maritime territories. In theory, it yielded 45,000 ducats per annum, with exemptions for Cardinals, Maltese and Teutonic Knights and half the revenues of the mendicant orders. But the clergy did not pay satisfactorily, arrears accrued and the state did not collect more than 25,000–30,000 ducats per annum, a very small figure, as a result.[70]

The Venetian state pursued other policies to extract revenues from the clergy. In 1605, earlier regulations dating from 1333 and 1536 on pious legacies to religious institutions (there was a requirement to sell them within a period of two years) were extended to all monasteries of the Terraferma. Monasteries found themselves with large capital sums which they were prepared to loan to patrician citizens. The Venetian patriciate exploited the opportunity: monasteries were satisfied if they were paid a modest annual interest on their loans, which were perpetual and non-redeemable.[71] This circulation of money mainly benefited the urban nobility who thus borrowed from the monasteries at a low rate of interest for the purchase of rural properties at a higher rate of interest. Thus it was that *latifundia* were created around the initial nucleus of the nobles' landed possessions. In 1676, the Treasury seized 13,000 *campi* belonging to twenty-five suppressed monasteries which had a revenue of 27,000 ducats, put them up for sale and obtained a windfall sale price of 900,000 ducats.[72]

V

By the mid-eighteenth century, the accumulated public debt exceeded 80 million ducats, which posed two distinct problems: that of securing sufficient income to pay debt service charges; and a longer-term problem of partially amortizing the debt.[73] Amortizing the debt had a potential impact on the entire economic life of the Venetian state. Various economic trends or economic measures—the crisis

[70] Pezzolo (1990), 58–9, 104–5, 245–50, 253–5.

[71] Borelli (1983, 1986).

[72] Beltrami (1961), 101–8; Torre in Kellenbenz and Prodi (1989); Gullino in Borelli, Lanaro and Vecchiato (1981). More generally on the sale of common lands: Gullino (1983).

[73] Einaudi (1904).

in trade and industry; the agricultural depression; the prohibition of exports of capital abroad—undoubtedly encouraged private investment in government bonds. Such bonds were a convenient way of placing capital. Increasingly, however, reforming opinion in the Venetian government considered that amortizing the debt and lowering interest rates would redirect capital towards productive activities. The policy of amortizement would stimulate economic development.

If the Venetian state hesitated to reduce official interest levels, it regularly deferred interest payments. By the mid-eighteenth century, it owed forty-six quarterly repayments on the deposits held *in Zecca*. In 1767, it undertook the conversion of stocks of 'old deposits' whose nominal value was reduced to the actual market value. This loss ('bankruptcy') was harsh for those to whom a repayment of 57 ducats was proposed on a debt of 100 ducats for both the capital debt and the forty-six interest payments! Felloni has calculated the loss on capital as 69 per cent and that on arrears of interest as 45 per cent.[74] Feelings ran high and the bondholders rushed to demand immediate repayment. It was in this atmosphere of panic that corrective measures had to be taken to remedy this partial 'bankruptcy' on 7 September 1768. Ecclesiastical and charitable institutions were required to sell part of their property and invest the proceeds at 3 per cent in the *deposito nuovissimo*: by 1785, the capital fund thus established exceeded 30 million, which made it possible to settle all the old debts for a total of 19 millions in real terms. Those establishments which in 1765 had held 27 per cent of the public debt (that is, 20.7 million ducats out of a total of 76 million), held 49 per cent in 1787 (or 21 out of 43 million).[75] The scale of this transformation demonstrates the energy with which the policy of debt redemption was pursued at the end of the eighteenth century.

However, the Venetian state did not succeed in overcoming the mistrust which it had created on the international money market. This was a feature of its credit policy which is seldom understood yet which demonstrates the links between Venice and the great European financial markets, such as Genoa. The Genoese financiers had started to purchase stock in the public debt by 1617, and by 1673 they held almost 30 per cent of the Venetian public debt at that time (33 million ducats in nominal value). In 1715, the reduction of interest on these old deposits to 2 per cent precipitated a crisis on the exchange at Genoa. Nevertheless, the Genoese financiers did well with the devalued bonds, for they were able to invest in new issues on the taxes on milling (*masina*) and oil (*olio*), half in ready cash and half in the old stocks.[76] This operation, which was only possible for

[74] Felloni (1971), 137–43.
[75] Ventura (1972), lxv.
[76] Felloni (1971), 143–9.

those who had ready money, was oversubscribed. But in 1785, when Venice tried to float an international loan, there was little success locally, or at Antwerp or Genoa. As late as 1787, foreign investors held no more than 13.5 million in assets, principally in old deposits, while there were signs of a capital flow outwards: 8.7 million in stocks had been sold since 1768.[77]

VI

While detailed changes in the Venetian constitution cannot be outlined here, it is important to recognize that there was considerable evolution in the financial decision-making bodies over the period under review. The Great Council predominated in the thirteenth century and was then succeeded by the Senate. At the end of the fifteenth century, the Council of Ten took over. This in turn was reinforced by a junta of senators until 1583, when the powers which the Ten had assumed with the junta were transferred back to the Senate.[78] These councils voted expenditure and revenues and intervened in economic affairs to such an extent that it was said of the Senate that it acted as the administrative council for all matters in which the patriciate was involved.

The decisions of the councils or Senate were carried out by the College of the *Savii* and by the magistrates—all of them patricians—who headed the numerous revenue-collecting offices. Some were responsible for the collection of *dazi*, others for the administration of the public debt, others for the collection of direct taxes (*gravezze*). The number of financial magistracies increased steadily and very few were abolished. On the contrary, a systematic policy of duplication resulted in the frequent establishment of a new magistracy with its attendant departments for the collection of a new tax, while the old agencies which had become obsolete were allowed to continue. In times of financial crisis, however, there had to be reductions in salaries and personnel. Direct taxes and customs duties were collected by direct administration (*per conto publico*), but taxes on consumption were farmed out to companies of *dazieri*, which set two administrations for the same revenue side by side, that of the tax farmer and that of the commissioners.[79]

The magistrates rendered their accounts to controlling magistracies, the *rason vecchie* or the *rason nuove*. In fact there were very few specialized departments limited to expenditure, for that was most frequently effected by means of transfers which involved a plethora of *casse* (counting houses) and personnel in each department. The money coming from particular revenues was used for specific

[77] Ibid. 149–51.
[78] Stella (1958), 157–71; Pezzolo (1990), 19–33.
[79] Lane (1973*a*), 253–7, 403–5; Hocquet (1995); Hocquet (1985), 307–14.

types of expenditure and, as a result, kept within each *cassa*: this in turn was individually administered by a magistrate. The magistrates rotated in rapid succession and pursued a sort of *cursus honorum* before entering the Senate. Yet each *cassa* also had its own permanent specialized subordinate personnel with a cashier, bookkeeper (*scontro*), a *contatore* responsible for the administration of each *cassa*, the journalizer who kept the account book, the *quaderniere* who kept the *mastro* book and, finally, the *revisori* who inspected the records (*appuntatura*).

Accounts were kept in the form of double-entry bookkeeping after the fourteenth century. But this system did not guarantee that they were kept efficiently: in reality, 'so that there should always be sufficient for the most pressing expenses, the money from specified receipts was assigned to each class of expenditure, allocating the most secure revenues to essential expenditure, and to those which were only useful, revenues which were less certain'.[80] Expenditure could not be contained within the cash limits of any particular *cassa* and there were continual transfers between one *cassa* and another, which involved duplicate records, the problems of disposing of the money in a priority according to financial urgency and, finally, the immobilization of money in some relatively inactive *casse*. In the eighteenth century, this administration of public revenue and expenditure required 54 magistrates shared between 254 *casse* in the *Dominante* alone,[81] without counting the tax offices of the *Dominio*. As a result, it was very difficult to draw up a general balance sheet of the finances of the Republic.[82]

Money that was not spent had to be moved regularly (monthly or quarterly) to magistrates who were responsible for holding the surplus. The Treasurers of the Commune, the Procurators of San Marco and the Governors of Receipts and the Mint have already been mentioned. In wartime, money tended to be sent to the Mint, in peacetime to the Commissioners for Loans or the Governors of Receipts for the service of the public debt.[83] In the eighteenth century, all surplus revenues, barely one-third of total income, flowed into the *casse* of the Conservator of the deposit responsible for meeting from these sums the greater part of non-consolidated and extraordinary expenses.[84]

Financial administration was centralized in the Venetian state in 'tax offices' which had the same subordinate personnel, locally recruited, at their disposal as the *casse* of the *Dominante*. But these officials were placed under the authority of

[80] Stella (1890); Tagliaferri in Tagliaferri (1981); *Magistrature contabili* (1950).

[81] Ventura (1972), lvi.

[82] Gullino in Borelli, Lanaro, and Vecchiato (1981) cites Tentori (1785), ii, 250: 'Le rendite della Veneziana Repubblica formano uno di questi politici segreti, che non pervengono alla cognizione dei privati per le molteplice viste di una ben regolata polizia.'

[83] Hocquet (1990*a*), 267–9, 303–8. [84] Ventura (1972), xxxix.

Venetian Treasurers and rectors. These offices collected all the taxes and levies raised locally, with the exception of the salt tax, which was always paid directly to Venice by the tax farmers.[85] Venice constantly applied the principle that subject territories had to meet expenses of defence and administration and, if possible, yield a positive balance. By and large this policy was followed, except in the *Stato da mar*, which was heavily in deficit.[86] In peacetime, the Terraferma met the costs of defence without difficulty and sent the surplus to Venice: it was then assigned to its naval policy. In wartime, the *Dominante* supplied its provinces with the finances required by the war effort. The revenue from the fiscal departments was divided between three *casse*: sums intended for defence went to the military *cassa*; those allocated to local expenditure entered the *cassa libra*; finally, entries earmarked for the *Dominante* were entered in the *cassa obbligata*. Venice seems sometimes to have experienced difficulties, not in directing the revenue from the third *cassa* and the surpluses to the *Dominante*, but simply in collecting taxes and levies on a regular basis. Apart from smuggling, the reluctance of the taxpayers and the inertia of the fiscal administration, there were also exceptional circumstances such as plague. Thus, in 1633, after such an epidemic, the rector of Verona stated that of a theoretical total revenue of 186,818 ducats, there were debtors (*ressidui*) for 136,561 ducats.

It is difficult to establish whether Venice applied a general colonial policy to its *Dominio*. It is generally accepted that the *Dominante* never sought to relinquish the structures of the old Commune even after conquering a vast territorial state and witnessing an increase in the complexity of its public affairs. Political discourse never abandoned the subordinate relationship implied in the relationship of the *Dominante* and the *Dominio*. Even though the wealth of the Terraferma had always been exploited, the *Stato da mar* always cost the Republic dear in financial terms. Knapton's calculations have reversed the balance for the end of the fifteenth century: instead of 620,000 ducats collected from the Venetian taxpayers and 330,000 ducats collected from the Terraferma, Knapton estimates that 380,000 ducats were collected from the Venetian taxpayers and 420,000 ducats from the Terraferma. The population ratio favoured the Terraferma and as a result there was greater fiscal pressure on the inhabitants of the *Dominante* than on the subjects of Venice.[87]

At the end of the eighteenth century, did the 138,000 inhabitants of the city pay more *dazi* per capita than the 2.3 million inhabitants of the Terraferma?[88] Does this question have any meaning without considering also the concomitant issue

[85] Hocquet (1981*b*).

[86] Andreades (1926); Berengo (1954); Hocquet (1989); Costantini (1996).

[87] Cozzi and Knapton (1986), 310.

[88] It is difficult to estimate the per capita rate of taxation, because an 'average' calculation is virtually meaningless: dividing one known figure (the total revenues of the state) by another (the

TABLE 12.1 The exchange rate of the Venetian gold ducat or sequin (*zecchino*) expressed in money of account

Year	Rate	Year	Rate	Year	Rate
1284	2.8	1285	3.0	1300	3.2
1320	3.6	1356	3.8	1380	3.18
Oct. 1380	4.6	1382	4.0	1400	4.13
1417	5.0	1425	5.3	1433	5.10
1450	5.14	1472	6.4	1500	6.4
Oct. 1519	6.14	Dec. 1519	6.16	1525	7.4
1543	7.12	1545	7.17	1564	8.0
1570	8.12	1584	9.0	1584	9.12
1588	10.14	1608	10.0	1619	12.8
1635	15.0	1635	16.0	1680	20.0
1747	24.16	1789	22.0	1790	23.0

Explanatory notes: From 1472, when the ducat stabilized for more than forty years at 124 shillings (6.4), it became common practice to accept 1 ducat for this value. The ducat then became a money of account in its own right, and remained as such until the end of the Venetian Republic. The value of gold as expressed by the sequin continued to rise until the beginning of the eighteenth century. The eighteenth century was a much calmer period after the considerable monetary instability at the end of the sixteenth century and during the seventeenth century. Papadopoli (1893–1919; rev. edn 1967)

of the redistribution of interest from the public debt and the place of residence of those who profited from it? In fact, even with the general accounts of the state, which 'constitute a remarkable attempt at synthesis and clarity, [and] which strengthen a secular tradition of administrative ability and accounting technique born of mercantile practice',[89] it is difficult to provide an accurate itemization of revenue and expenditure between the constituent parts of the

number of inhabitants) is insufficiently precise. The customs revenues levied on exit must be subtracted, for they were paid by foreigners; perhaps loan income, debt servicing costs and losses incurred through bankruptcy should also be subtracted. Caution needs to be exercised if the total amount of taxation is to be measured, or the increase between the 14th and 18th cents. First of all, the balance sheets would have had to be kept in a consistent manner throughout the entire period. Even if they were all kept in 'ducats of account', which were worth 124 *soldi* at the end of the 15th cent., it was still the case that this unit of account moved relatively independently of the gold ducat or sequin (*zecchino*), whose value in money of account was constantly readjusted. It is therefore necessary to provide a constant rate of exchange between the two currencies, the real and the 'fictitious' (Table 12.1). To compare the fiscal burden in monetary terms, the figures for the 18th cent. must be divided by 3.5 to arrive at the monetary values prevailing at the end of the 15th cent. It is also necessary to deflate nominal values with the prices of primary products to discover the real purchasing power of gold or silver or base coinage, for not all consumers used the same coins and the poorest had to exchange their poor quality 'black' coins into higher quality 'yellow' money. All this presents formidable obstacles, since the history of prices in the Venetian Republic has not yet been written.

[89] Ventura (1972), xxii.

state and society. However, the impression one gains is that per capita taxation was higher in Venice itself, that there were significant transfers of revenue from the Terraferma to Venice but that Venice used these receipts for the benefit of the entire state.

One qualification is necessary here: it is impossible to rework the figures for revenues, expenditure and redistribution because the state was committed to preserving outdated structures which secured the privileges of the ruling class, the patriciate and the oligarchy. The internal stability of each of these was based on the distribution of revenues in relation to magistracies and *casse*. Change and reform seemed superfluous to a class which exercised the authority of the state, blended with the state and did not see any need to submit to an authority stemming from within its own ranks. As a result, no proposal for reform involving a rigorous distinction between magistracies responsible for levying taxes and those responsible for expenditure was ever countenanced.[90] However, the privileged position of the Venetian patriciate should not be exaggerated, since it made significant contributions to the *prestiti* and to other 'invisible' defence costs such as those for naval armaments.[91]

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[90] There was no shortage of such proposals, however, from the 15th cent. onwards: Lizier (1932); Mazzacane (1980); Ventura (1981); Zannini (1994).

[91] Hocquet (1979); Hocquet (1990*a*), 439–68; Lane (1973*b*). On the investments and financial dealings of a Venetian family: Gullino (1984).

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CHAPTER 13

The Italian States in the Early Modern Period

Carlo Capra

The Peace of Cateau-Cambrésis (1559) closed a long period of warfare between France and Spain and fixed for almost a century and a half the political map of Italy. Spanish predominance was not only guaranteed by direct possession of the whole south, of the two large islands of Sicily and Sardinia, of the Duchy of Milan and of the small but strategically important Stato dei Presidi in southern Tuscany; it was also strengthened by the religious ties which bound Madrid with Rome in the age of the Counter-Reformation and by the financial and political interests which made friendship with Spain imperative for other Italian states, such as Genoa, a republic of bankers, or Tuscany and Piedmont–Savoy, whose reigning houses owed to Spanish support the recovery of their territories, lost in the turmoil of the Italian wars. The duchies held in the Po Valley by the Este (Modena, Reggio and Ferrara, the last town to be annexed by the Papacy in 1598), by the Farnese (Parma and Piacenza) and by the Gonzaga (Mantua) were too small to count one way or another. The Republic of Venice was thus the only Italian state which could boast a real political independence, though after the Peace of Cambrai (1529) its main concern was the defence of its maritime empire and the maintenance of peace with its neighbours.

The one hundred and fifty years from the High Renaissance to the end of Spanish predominance were long neglected by Italian scholars, who regarded these as the 'dark ages' in their national history, an epoch marked by political subservience, economic decline, and by moral and intellectual degeneration. The last decades, however, have witnessed a marked revival of interest on the part of both social and political historians, no longer obsessed by the failure of Italians to develop a 'nation state' on the model of England, Spain or France. More and more, the diverse political entities making up the Italian patchwork have come to be recognized as 'regional states' in their own right, subject to the same forces and influences that were at work beyond the Alps. Indeed, it can be

claimed with some assurance that many of the features of the modern absolutist state, notably in the military, diplomatic, administrative and financial spheres, were pioneered by the Italian Renaissance principalities and republics. This state-building process, it is now pointed out, did not end with the eclipse of Italian 'liberty' but was resumed with renewed vigour as soon as the worst ravages of the Italian wars were over (by roughly 1530): 'in Italy, too, the sixteenth century was a century of growth and reorganization of the state'.[1] It was only after 1620 that the downturn in population, prices and trade was paralleled by political stalemate and by a hardening of social hierarchies, and even then Piedmont–Savoy was the notable exception.

Public finance was clearly a crucial element in this state-building process. The overall growth of government spending on defence, state bureaucracy, courtly extravagance, building programmes and the like, combined with the sustained rise in prices and wages, required substantial increases in state revenue. These in turn could not be obtained without far-reaching changes in the state's administrative machinery; in the methods of assessment and collection of taxes; and in the relationships between central governments and local communities. One common feature of the financial policies adopted by the various Italian states in the fifteenth and sixteenth centuries was the attempt to spread a rapidly increasing fiscal burden more widely and in particular to tax landed wealth in a regularized way. Such was the purpose of the *decime* in Florence and Venice, of the *avarie* in Genoa, of the *funzioni fiscali* in the Kingdom of Naples, of the *sussidio* in the Papal States and in the Venetian Terraferma, of the *mensuale* in Milan and of the *tasso* in Piedmont.

Basini's statement that 'in Lombardy and elsewhere direct taxation represented only a small portion of the total fiscal burden in the first two centuries of the modern era'[2] does not seem to be supported by such figures as we possess. The distinction between direct and indirect taxes, however, can only be applied with great caution to early modern Italian financial systems, since the former consisted mostly in the imposition of an overall charge which was then apportioned among the provinces and the communities, on the basis of their presumed wealth or population or both; the communities in turn were more-or-less free to collect their quotas by what means they thought fit, including duties and excises—though central governments would insist on some measure of fiscal equality. Conversely, indirect taxes often changed their nature and became in effect poll taxes, as central administrations, in their concern to protect revenue and to prevent fraud and smuggling, imposed on each subject or family the

[1] Fasano Guarini (1983), 623. [2] Basini (1968), 22.

obligation to pay a minimum charge or to buy a fixed quota of a certain commodity—typically salt, which was everywhere a state monopoly.

At the same time, the public debt expanded at an unprecedented rate in the Italian states, and new methods were devised to attract or coerce prospective lenders and to guarantee payment of the interests due to them: these methods ranged from entrusting creditors themselves with the collection of taxes and the management of state funds—as notably in Genoa—to disguising loans behind the sale of offices which were actually sinecures, as in the Papal States. The creation of *monti*—free or forced loans divided into interest-bearing *luoghi* or bonds—as a means of consolidating public debt had been common practice in the Italian city states ever since the thirteenth century. Finally, though revenue and expenditure were nowhere centralized in a single treasury before 1700, most governments had enough control over their accounts to be able to draw up general budgets from time to time. This chapter will survey the financial systems of the Republic of Venice, the Kingdom of Naples, the Grand Duchy of Tuscany and the Savoyard state to encompass some of the variety of fiscal developments in Italy. Issues of fiscal reform in the eighteenth century, with special reference to the Austrian Habsburg possessions in Italy, will be considered towards the end of the chapter.

I

The Republic of Venice can be regarded as a perfect illustration of the peculiar blend of conservatism and modernity which is the hallmark of Italian state-building processes in the Renaissance and Counter-Reformation (Chapter 12). The main outlines of its political constitution were fully developed by the early fourteenth century and did not change substantially until the fall of the Republic at the hands of Napoleon Bonaparte in 1797. At the time of the Italian wars, it was already lauded as a model of stable and harmonious government in its combination of monarchy (the doge), aristocracy (the Senate) and democracy (the *Maggior Consiglio*). Yet this venerable city state proved able not only to build up a sizeable maritime empire in the eastern Mediterranean, but also to absorb a million new subjects in Venetia and Lombardy after the successful outcome of the confrontation with the dukes of Milan in the first half of the fifteenth century and to adapt itself with remarkable success to the unprecedented level of expenditure required in order to survive as an independent power in an age dominated by great monarchies. Until the conquest of the Terraferma, Venetian revenue came essentially from two sources: indirect taxes on trade and consumption, which in this prosperous international entrepôt were quite sufficient

to meet ordinary expenses, and loans advanced to the government by the richest citizens at a time of need—usually to sustain a war effort. Even when loans were made compulsory, in the late thirteenth century, they continued to bear interest and to be seen as a form of safe investment by the ruling merchant class.

The system began to show signs of strain when the huge expenses incurred by the Republic in the crucial wars against Genoa (1378–81) and against the Carrara of Padua (1404–6) caused the public debt to soar to 5 and then (in 1413) to 8.8 million ducats. Payment of interest had to be suspended for a time, and when it was resumed in 1402 the rate was brought down to 4 per cent; at the same time, the market value of bonds fell as low as 18 per cent. Persisting in the old ways would have meant following the example of Genoa, where state finances came to be managed by an association of creditors, the House of San Giorgio. The Venetian patriciate showed more public spirit when they began to tax themselves to finance the new prolonged cycle of warfare against the Visconti and the Sforza. The final result was the establishment on a regular basis, after 1463, of the *decime perse*, conceived as a fixed percentage (in theory, one-tenth) of the yearly income from property owned by Venetian citizens either in Venice itself or in the Terraferma. Starting from 1499, the *decime* were supplemented by the *tanse*, a tax on the income from trade. The burden of direct taxation remained moderate enough: direct taxes yielded only a quarter of the 620,000 ducats yearly paid by Venetian citizens in the late fifteenth century; the rest was made up by excise and customs duties (310,000), by the salt *gabelle* (135,000) and by other proceeds (20,000 ducats). Extraordinary expenses, however, were usually met with extra charges on the rich or with forced loans, re-established from 1482.[3] The Terraferma contributed another 400,000 ducats, also for the most part raised from indirect taxation. Overall state revenue in the Republic reached about 1.15 million ducats before 1500, at a time when its main Italian rivals, Florence, Milan, the Papal States and the Kingdom of Naples, had incomes ranging between 400,000 and 650,000 ducats.[4]

The extraordinary military and financial crisis of the Republic during the War against the League of Cambrai (1509–16), when nearly the whole *Stato di Terraferma* seemed lost for a time, and by its subsequent participation in the leagues formed against Charles V in the 1520s, led to a considerable increase in the fiscal burden, to which even the clergy was not immune, and to an overhaul

[3] Knapton (1986), 315. There is no space here to go into the details of the various monetary systems in force in early modern Italy. The different types of money of account varied in time not only in relation with each other, but in their weight in silver and in their value expressed in gold. It will be sufficient to say here that over most of our period the Venetian ducat was roughly equivalent to the Neapolitan ducat, whereas the Florentine *scudo* was worth about 45 per cent more and the Piedmontese *scudo* nearly 70 per cent more.

[4] Ibid. 301–2.

of the system of direct imposition in the provinces. Besides exacting forced labour and imposing a system of conscription on the peasantry, the government replaced the old and defective direct taxes—most of which had been cancelled in return for lump sums—with a new and more general imposition, a subsidy (*sussidio*) of 100,000 ducats, established in 1529 and apportioned among the provinces of the Terraferma according to their estimated wealth. Though the tax was expressly declared to be 'for this time only',[5] it was renewed the following year and after 1534 it became in effect an ordinary tax. The burden assigned to each province was divided into three parts, reflecting the separate land registers (*estimi*) which were drawn up for townspeople, clergy and rural proprietors. In theory, these registers were to be renewed every ten years or so, but the town councils dragged their feet, with the result that the general quotas were left unaltered though more and more lands were transferred from country to town proprietors. This went on until the rural districts organized themselves in the second half of the sixteenth century and successfully fought for more fiscal equality.

The price of salt, too, was considerably increased in 1534, while the revenue from other indirect taxes reflected the demographic and economic growth which followed the Italian wars: the population in Venice alone increased from 110,000 to perhaps 180,000 between 1509 and 1575. The affluence and resilience of the Venetian economy was shown by the speed with which the large public debt built up during the Turkish War of 1570–3 (which led to the loss of Cyprus) was repaid in the following years by the simple device of maintaining peacetime taxation at the wartime level, so that by the end of the century the Republic had no public debt and was able in addition to hoard substantial sums of money each year. State revenue, in the meantime, grew from 1.15 million ducats in 1500 to just under 1.6 million in 1555 and to 2.95 million in 1609.[6] The 85 per cent rise that can be observed between 1555 and 1609 appears to be moderate enough in comparison with what happened in other countries either south or north of the Alps; most of it was offset by the rise in prices—the price of corn increased by 60 per cent over the same period—and the increase in population, so that Pezzolo seems justified in concluding that 'the natural growth of state revenue [in Venice] follows the general trend of the Venetian economy, without causing any dislocations or strains in the economic and social fabric'.[7]

Though studies in depth are lacking for the seventeenth century, little seems to have changed in spite of the long and costly wars fought against the Turks after 1645. The war effort was financed by borrowing and other extraordinary devices such as the sale of communal lands and the admission of over 100

[5] Del Torre (1986), 78. [6] Pezzolo (1990), 96. [7] Ibid. 321.

Terraferma families into the Venetian patriciate in exchange for high fees. The 39 per cent rise in overall revenue from 1609 to 1736, by which time it had risen to 4.12 million ducats, was roughly equivalent to the devaluation of the money of account over the same period.[8] The tangle of magistracies presiding over the various items of revenue and expenditure (twenty new ones had been created in the sixteenth century alone) under the general supervision of the Senate and the Council of Ten were also left undisturbed. In public finance as in state building, the creative period for the Venetian Republic was over by the middle of the sixteenth century. Its political system was admirably geared to the maintenance of the status quo and prevented any further progress towards modernity.

II

Charles V's imperial attitude towards his numerous possessions, each of which was to be governed according to its laws and customs 'as if the king who holds them all together were king only of each one of them'[9], was inherited by his successors on the throne of Spain, though attempts were made to tighten control from the centre. Essentially, Spanish sovereignty was represented in Milan, Naples, Palermo and Cagliari by a governor or viceroy who, being foreign to the country and in most cases appointed only for a few years, did not possess either the knowledge or the determination to push through far-reaching reforms. Apart from the governor or viceroy, the Spanish element in each territory consisted of a minority of higher officials and of the military chiefs. Under Philip II, a Council of Italy was created in Madrid on the model of other territorial councils (such as those of Castile, Aragon or the Indies); its members always included representatives of the various Italian dominions, who with their superior knowledge of local affairs were usually in a position to influence discussions concerning their respective territories. From time to time, a *visitor* was dispatched from Spain to Milan or Naples, with a following of judges and notaries, in order to investigate charges of corruption and misgovernment, but this led at best to the dismissal and condemnation of a few dishonest officials and to the proclamation of some resounding new laws, which had little permanent effect on the practical working of institutions.

This state of affairs fostered in the local ruling classes—the town patriciate in Milan, the feudal aristocracy and the magistrates in the three kingdoms of Naples, Sicily and Sardinia—a belief that they represented the genuine constitutional traditions of the respective states and were thus the rightful partners of sovereign power. It was for the king to make laws, but how these laws were to

[8] Knapton (1992), 216. [9] Quoted by Elliott (1970), 167.

be interpreted and applied depended on the local magistrates and lawyers. The monarch had a duty to protect the integrity of the state and was therefore entitled to raise the necessary contributions; but their allocation and collection was not really his business, provided payments were forthcoming. Of course, the king of Spain and his viceroys could not be expected to share such a limited view of their authority and they attempted, at least before the Thirty Years' War, to enforce a better administration of justice and a more equitable distribution of the fiscal burden: but they were rarely able to realize their projects in full.

A case in point is the general *catasto* or *cadastre* ordered by Charles V for the state of Milan in 1543 as a means of distributing the new direct tax, called the *mensuale*, introduced by the Spanish government in 1536. The establishment of this *cadastre* took over fifty years and the final result represented a compromise between the original design, according to which each subject should be charged in proportion to his wealth, and the defence of their fiscal privileges by the upper classes. The merchants, who put up a fierce resistance to the novel view that they should bear a part of the total burden, finally had to accept the principle, but succeeded in having their quota reduced; as regards the land tax, each town and rural district was assigned its portion of the total burden according to the new measures and evaluations, but the further apportionment among individual taxpayers was left to local administrations, dominated by the richest landowners. It is true, as Vigo notes, that the new Lombard *cadastre* meant 'the full participation of the rural districts in the distribution of the fiscal burden, the cancellation of old immunities from the quartering of troops, the end of the exemptions granted to a whole social group, that of the merchants'; but it is doubtful whether this led to 'the building up of an absolute state' on the part of the Spanish monarchy.[10]

Until the early seventeenth century, the steep growth in taxation induced by Spain's imperial policies was paralleled by the rise in prices and coincided with a phase of demographic and economic expansion. But the crisis of 1618–20 ushered in an enduring slump in prices, manufacture and trade, and this was made worse by the plagues that struck the north of Italy in 1630 and the south in 1656. The decision of Madrid in 1621 to reopen hostilities with the United Provinces and to lend full support to the struggle of the Austrian Habsburgs against the Protestant princes in the Empire placed financial and military requirements above all other considerations. The Kingdom of Naples was worst hit among the Italian possessions of Spain, not only because its economy was more backward and fragile than that of prosperous Lombardy, but also because it was treated as a reservoir of men and money to bolster the Spanish military effort in central

[10] Vigo (1979), 265–6.

Europe and northern Italy. From 1631 to 1653, the kingdom alone sent about 11 million ducats to Milan,[11] quite apart from the recruitment and equipping of soldiers. Total revenue, which had tripled from 1550 to 1600, doubled again from 1600 to 1638, when it reached 5.8 million ducats. No figure is extant for the last years preceding the revolt of 1647, but some idea of what happened can be inferred from the fact that the *asistencias* required for 1641 amounted to 9 million ducats, besides 12,000 infantrymen and 2,500 horses, and that the short-term loans (*asientos*) required by the Neapolitan government between 1636 and 1644 exceeded 26 million.[12]

As usual, it was not merely the size of the fiscal burden, but also its composition and the methods by which it was extracted that made it intolerable. The corner-stone of Neapolitan finance was, in the early years of Spanish rule, the *focatico* or *funzioni fiscali* introduced in 1443, a typical repartition tax which was divided into quotas assigned to individual provinces and communities in strict proportion to the number of their *fuochi*, or households. Though it was basically a direct tax, 'in some communities, particularly in provincial capitals and in towns where this was justified by the intensity of trade and/or by demographic size, the direct tax was supplemented or replaced by indirect levies such as *gabelles* and excises'.[13] The different systems followed locally for the distribution of the burden—which were often biased in favour of the rich and powerful; the total exemption enjoyed by the clergy, by feudal lords (the 'barons') and by privileged towns, in particular by the city of Naples; and the fact that censuses were rarely renewed and anyway bore no relation to the taxpaying capacity of individual communities—made assessments of this levy grossly unfair. There were thus definite limits to its capacity for growth; in fact, the burden on each household merely trebled in the period from 1500 to 1647 (from 1.52 to 4.85 ducats), while total revenue grew sixfold. It should be noted, however, that on top of the *funzioni fiscali* after 1534 the kingdom was required to pay 'free gifts' (*donativi*) voted by the kingdom's Parliament every two years, which were fixed at 1.2 million ducats in 1566.

After the middle of the sixteenth century, it was indirect taxation which became the main instrument of Spanish fiscal pressure in the Kingdom of Naples. The revenue from this source grew fifteenfold from 1550 to 1638, while its share of the total revenue rose from 9 per cent to 32 per cent, and that of direct taxation fell from 80 per cent to 55 per cent.[14] Indirect taxation was made up of customs duties and excises on goods of popular consumption: the city of Naples, which numbered 225,000 inhabitants in *c.*1600 and 300,000 in 1647, bore a dispro-

[11] Calabria (1991), 89–90.
[12] Villari (1967), 138, 142.
[13] Bulgarelli Lukacs (1993), 98.
[14] Calabria (1991), 59–63.

portionate amount of them. As was common practice elsewhere in Europe, these revenues were farmed out to rich merchants and financiers, often of foreign origin. But the pressure for immediate cash remittances to Spain and to the war fronts led the authorities in Naples (as also in Milan) into another and far more harmful practice, that of selling the future revenue of taxation for a lump sum. This was different from merely earmarking one particular revenue for the servicing of a debt, in so far as there was no benefit to be hoped for from a reduction in the interest payment or from the growth of the yield. Of course, the gaps that were left in the budget had to be filled somehow, and so the taxes no longer collected by the government were replaced by others or by more borrowing. In the 1630s and 1640s, Neapolitan public finance was in a condition of permanent bankruptcy, with private financiers seizing the various sources of income and even taking over the collection of direct taxes as security for the loans they made to the government. The barons, of course, took their share of these benefits and—in exchange for the *donativi* they voted in the Parliament (which met regularly until 1642)—they also gained a free hand to deal as they wished with the peasants on their manors. This was the background to the Neapolitan revolt of 1647–8, which started as a fiscal rebellion when a new excise on fruit was established in Naples, but quickly grew into a more complex middle-class and popular movement involving the provinces. Though the restoration of Spanish power was followed by the limitation of the worst abuses and by some tax reductions, the destiny of the south as an underdeveloped part of Italy had been sealed.

III

As in Venice and in the Papal States, the creative period in Florentine finances was the fifteenth and sixteenth centuries, which also saw the growth and consolidation of the political power of the House of Medici. With the annexation of Siena in 1557, and the concession by the Pope of the title of Grand Duke of Tuscany to Cosimo I (1569), the old Florentine state had achieved a new regional dimension, though it was not quite coextensive with modern Tuscany (lacking as it did the districts of Lucca, Massa and Carrara, as yet independent, and the southernmost coastal areas, held by Spain). From the administrative and financial point of view, the Grand Duchy remained subdivided into three distinct areas: Florence and its *contado*, the countryside surrounding the capital; the *Distretto fiorentino*, composed of formerly independent towns and communities which at some time in the recent past had submitted or been subjected to Florentine rule, such as Pistoia, Arezzo, Volterra, Pisa and Leghorn (Livorno); and the 'new state' of Siena. As regards direct taxation, for instance, landowners

living in Florence or its *contado* paid the *decima*, a nominal tenth of their yearly rent, according to a land register drawn up in 1495 and revised in 1532. Tenants in this area, where sharecropping was universal, were subjected to a poll tax known as the *decimino*, which was equivalent to 5 per cent of the *decima* pertaining to the land they cultivated. The different towns and *contadi* belonging to the *Distretto* were obliged to contribute after 1545 to the so-called 'universal expenses' (mostly of a military nature) in rough proportion to their landed wealth; and though they were left free to apportion the resulting fiscal burden among their inhabitants, the ducal government had over time tightened its control over the procedures of assessment and collection of tax revenue, in some cases insisting that new *cadastres* be drawn up.

There was a considerable increase in indirect taxation in sixteenth-century Tuscany: the old salt *gabelle* was reorganized and many communities had to acquire a minimum quantity proportionate to the number of people living there and the animals they possessed. New taxes on flour and meat were introduced, and their collection was entrusted to centrally appointed officials called *camerlenghi*. A new magistracy was created in 1560 to oversee the whole system of local administration and taxation, the *Nove Conservatori della giurisdizione e dominio fiorentino*. While precise calculations of the total state revenue are made difficult by the lack of a central budget, there is little doubt that it increased substantially as a result of these measures, totalling slightly more than 1 million silver *scudi* by the end of the sixteenth century. Thereafter, ordinary revenue grew very little until 1720, reflecting the long-term depression of the economy, the absence of significant military expenditure (Tuscany was scarcely ever at war in the seventeenth and eighteenth centuries), and relative social stability in the Grand Duchy.

The reigns of the last two Medici Grand Dukes, Cosimo III (1670–1715) and Gian Gastone (1715–37) are depicted by Waquet, in his important study on Tuscan public finances, as an epoch of 'astonishing stability'. Waquet concluded that there was no decadence and no weakening of sovereign power under Cosimo III and his son (as a long historiographical tradition had led us to believe), but rather the maintenance of a delicate balance between the prince and his entourage, on one side, and on the other the aristocracy, which gained benefits from the way the state's finances were run. The ideological and methodological implications of this 'rehabilitation of the notion of stability'[15] do not concern us here. Some of the underlying causes of the balance of power between the Grand Duke and the aristocracy must, however, be pointed out. Indirect taxes, levied for the most part on popular consumption goods, made up as much

[15] Waquet (1990), 135.

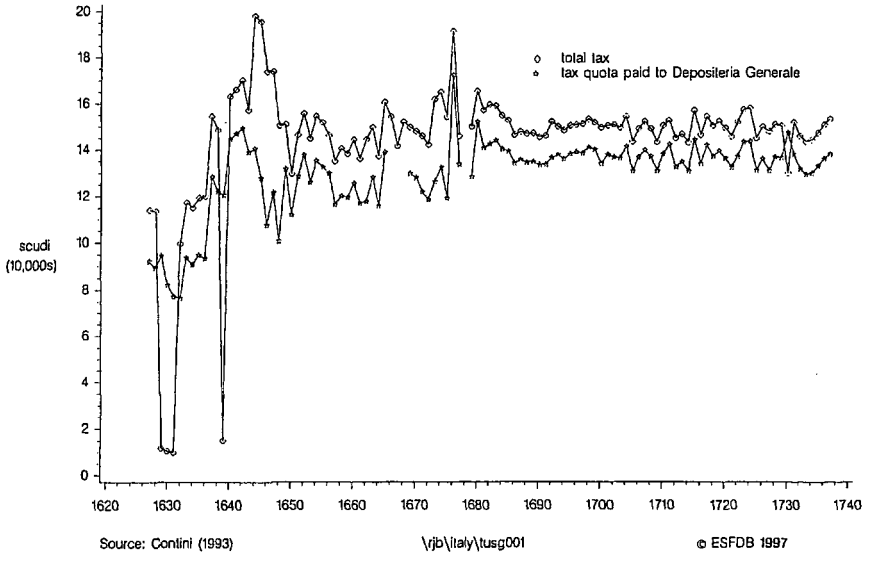

FIG. 13.1 The Tuscan flour tax (*tasso sulle farine*), 1627–1737

as 70 or 80 per cent of the state's revenue. The methods chosen for the collection of these indirect taxes reflected the difficulty of assessment and the concern to fight evasion rather than considerations of distributive justice: this explains why, for example, the tax on flour was transfomed into a poll tax in 1678 and became a more stable revenue thereafter (Figure 13.1);[16] and why the *gabella delle bestie del pié tondo*, introduced in 1538 as a percentage on the sale of cattle and sheep, was doubled in 1692 by a levy proportionate to the number of animals possessed by each taxpayer. There was no attempt, on the other hand, to tax the incomes from trade, manufacture or banking (in which the Florentine nobility continued to invest part of their fortunes down to the eighteenth century), and landed wealth was taxed only to a very modest degree. The evaluations which formed the basis of the *decime* were never revised after 1532 to take account of the rises in prices and productivity, so that by the late seventeenth century the theoretical 15.3 per cent of the net rent, resulting from successive additions to the original tenth, was probably nearer 3 or 4 per cent of the real income from land.[17]

As the Emperor's vassal, Cosimo III was faced with incessant requests from Vienna for money contributions during the War of the League of Augsburg and the War of the Spanish Succession. In order to meet these demands, he imposed several extraordinary levies (*collette universali*), for which a graduated scale was

[16] Contini (1993); ESFDB \rjb\italy\tusg001 based on \tusd001.

[17] Waquet (1990), 280–1.

devised in 1709: the portion of income to be paid was graduated from 5 per cent in Florence (or 3.33 per cent elsewhere) to 20 per cent, according to the level of presumed wealth.[18] More money was raised by means of short-term loans, which were then consolidated through the creation of *Monti* at lower interest rates. A large public debt, amounting to about 13 million *scudi*, or about ten times the yearly ordinary revenue, was thus built up, and new taxes on popular consumption had to be imposed in order to pay the interest, which by 1720 accounted for about one-third of public expenditure. Eighty per cent of this capital value was held by Tuscan creditors, and among these the nobility and clergy together represented about 85 per cent. The Tuscan public debt, as elsewhere, thus had the effect of pumping resources from the base of the social scale to its top levels.

IV

Piedmont–Savoy presents a very different picture from that of Tuscany or, indeed, of any other Italian state during the early modern period. First of all, its feudal origins and economic backwardness, so unlike the urban civilization that flourished in central and northern Italy in the late Middle Ages and the Renaissance, preserved it from the worst effects of the seventeenth-century crisis and placed fewer obstacles on the way towards an absolute state. Secondly, the warlike inclinations and expansionist ambitions of the House of Savoy, beginning with Emmanuel Philibert, the restorer of the Duchy's fortunes in the second half of the sixteenth century, led to the establishment of a comparatively large standing army that made its dukes coveted allies in the European wars of the seventeenth and eighteenth centuries. Thus while neutral Tuscany had to pay a total of 1.65 million *scudi* to the Emperor between 1602 and 1720, Victor Amadeus II was able to draw from his allies subsidies to the tune of 2.1 million Piedmontese *scudi* in the years 1690–6 and 5.77 million in 1703–13.[19]

As Stumpo has shown in his important study,[20] the establishment of the Savoyard administrative and financial apparatus was a slower and more gradual business than was previously thought and was inextricably tied up with the growth of the army and military expenses. The corner-stone of the whole edifice was laid by Emmanuel Philibert in 1562 when he imposed the *tasso*, a typical repartition tax whose amount, as in the Papal States, was centrally fixed in gold *scudi* (202,288 initially; 215,550 after 1631) and thus immune to the effects of inflation. As in the Papal States, the Savoyard communities were largely free to

[18] Waquet (1990), 125.
[19] Stumpo (1979), 87; Einaudi (1908); cf. Waquet (1990), 93.
[20] Stumpo (1979).

collect the sums they owed as they thought fit, by direct or indirect taxes. The *tasso* was supplemented from 1572 by the *comparto dei grani*, the only important tax in Italy at this time to be collected in kind: 30,000 sacks of corn a year were collected in peacetime, 60,000 in wartime. To this was added in 1659 the military subsidy, yielding an amount approximately equal to that of the *tasso*. The usual array of indirect taxes—on salt, meat, wine, hides and customs duties—made up the rest of the revenue.

The growth of ordinary revenue over the seventeenth century is impressive even if expressed in a relatively stable monetary unit like the Piedmontese *scudo*: it rose from about 100,000 *scudi* in *c.*1620 to an average of 620,351 *scudi* in 1665–78 and an average of 836,300 *scudi* in 1684–1700, excluding Savoy. The proportion of direct taxation in the total revenue decreased from about 60 per cent in the 1660s to just under half at the end of the century, a proportion that remained, however, much higher than that of Venice or Tuscany and closer to that of Naples or Milan. The rise in the yield of indirect taxes was much faster, as a result both of the introduction of new taxes, such as the *gabelle* on tobacco and the stamp duty, and of the greater severity exercised in collection and the suppression of fraud and smuggling. In 1680, the attempt to extend the salt *gabelle*—which meant enforcing an obligatory quota of salt for each taxpayer—to the privileged district of Mondovì sparked off a revolt which was not finally crushed until 1699. In 1698, the administration of all the main *gabelles* was concentrated in a single general farm and placed in the hands of a company of French financiers, who introduced more rational and lucrative methods of collection.

The soundness of the Savoyard financial system was put to a hard test in the War of the Spanish Succession, which led to Piedmont being overrun by French troops—with the resulting loss of revenue—in 1703–11 (Figure 13.2).[21] Expenditure soared to an average of over 2 million *scudi* per annum for the period 1700–14. Subsidies from the Allies covered only part of the war costs, which had to be met by all sorts of extraordinary taxes and expedients, including the sale of offices and fiefs, and of course by borrowing. It is remarkable, in view of these circumstances, that the public debt did not rise beyond 3.5 million *scudi*, or less than three times the annual ordinary revenue.[22] All in all, this military and financial effort can be considered a good investment if it is remembered that the peace treaties of 1713–14 brought the Kingdom of Sicily (later to be exchanged for

[21] ESFDB \rjb\italy\savbo01, based on \savdo01; A[rchives] N[ationales, Paris], G^7 249 no. 242, 'Estat des sommes imposées en Savoye, depuis et compris le 15 novembre 1703 jour de l'occupation du pays par les troupes du Roy jusqu'en 1713 inclusivement, tant pour la taille et capitation, que pour les quartiers d'hiver, remboursement de fourages, dépenses impreveües et autres dépenses concernant le pays'. The official French total for the levy in the years 1703–11 was 21.9 million *livres*. The author thanks Professor Richard Bonney for this data.

[22] Einaudi (1908), 181.

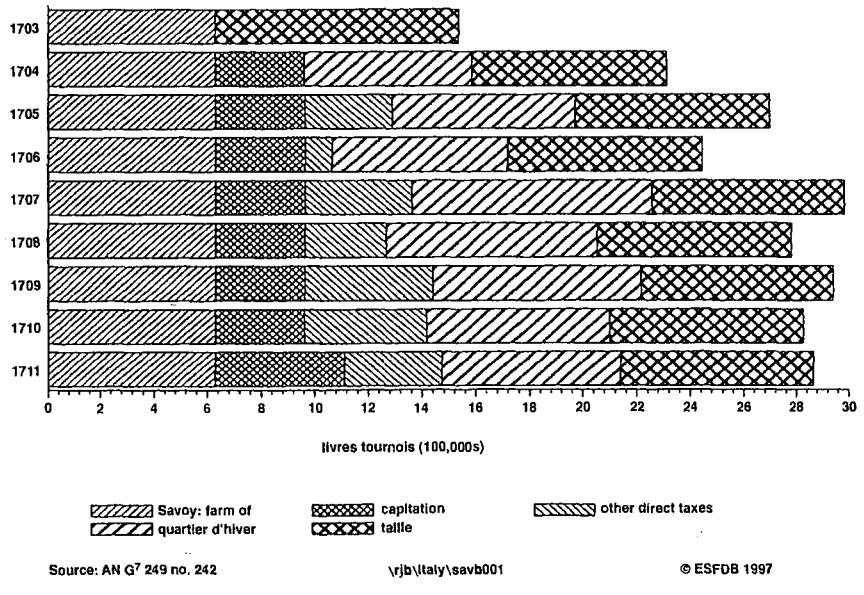

FIG. 13.2 French war taxation in Savoy–Piedmont, 1703–11

Sardinia) and several provinces in the Po Valley formerly belonging to the Duchy of Milan. Further gains were made following the wars fought by Charles Emmanuel III against Austria (1733–6) and once more against France and Spain (1743–8), which pushed the border with Lombardy as far as the Ticino and the Po.

The link between war, finance and reform is obvious in the reign of Victor Amadeus II (1675–1730), whose peacetime standing army grew from 8,760 men in 1689 to over 24,000 men in 1730, when its costs accounted for over half of total expenditure.[23] It was largely in order to sustain this burden that he 'endowed the Savoyard state with one of the most efficient administrations in Europe, far ahead of the cumbersome institutions of the French and Spanish monarchies, or the outmoded institutions of the other Italian states'.[24] In the brief spell of peace enjoyed by Piedmont between 1696 and 1701, the provincial *direttori* or *referendari* were transformed into fully fledged intendants on the French model and sent into provinces which had been exempt so far from central control. At the same time the great land survey was ordered in April 1697, which was eventually to lead to the *Editto di perequazione* of May 1731, essentially a redistribution of direct taxes among the communities on the basis of the capital value assigned to their lands.

[23] Symcox (1983), 168–9, 255. [24] Ibid. 197.

The link between these two initiatives becomes clear when it is appreciated that the work of measuring and evaluating the land in each community was not entrusted, as in the past, to the communities themselves, but to skilled surveyors appointed by the government and directed by the intendants. The results obtained in terms of fiscal justice may seem slight in comparison with the effort involved: the area of church and feudal land exempt from taxation was reduced from 13.9 to 9 per cent of the total surface area, and the proportionality achieved, in theory at least, in the tax burden to be borne by each community did not extend to individual taxpayers, who continued to be assessed according to the old and faulty methods. The *Editto di perequazione* of 1731, however, should be seen as a starting-point rather than an end result, since strict rules for the revision of communal *cadastres* were dictated by the government in 1739, on the basis of the technically much more advanced land survey effected in Savoy in the 1730s.[25]

A complete overhaul of financial administration took place in 1717, when the Council of Finance was given oversight of the whole organization and charged, among other responsibilities, with the preparation of the annual budget. The *contadore generale* and the secretary of war, who were responsible for military expenditure, were included among its members. The departments subordinate to the Council were regrouped into four *aziende*. One of them, placed under the direction of the *Generale delle finanze*, became responsible for all revenue collection in 1730 and thus substituted a single centralized agency for the previous multiplicity of treasurers and collectors. Regular auditing by the Chamber of Accounts was also centralized and made easier when the *Chambre des Comptes* of Savoy was abolished in 1720. This streamlining and restructuring of the central administration went hand in hand with the tightening of controls on local administration and finance and with the king's struggle against the exemptions and privileges of the clergy and feudal nobility. The steps successfully taken by the government to ease the burden of the public debt, both by paying back short-term loans and by cutting down interest payments on the long-term debt, can be viewed in this light, since creditors belonged mostly to the privileged classes, whose influence over public finance and royal policy was thus reduced. In other ways, too, not least in his university and school reforms, Victor Amadeus promoted the rise of a middle-class bureaucracy which was in time to grow into 'a service nobility endowed with a strong public spirit, an ideology of competence and merit, and a remarkable ability to see professional ethics as the basis of politics and culture'.[26]

The expansion of the Savoyard state was only one aspect of the political and dynastic changes which revolutionized the map of Italy in the first half of the

[25] Quazza (1957), 134–63; Ricci (1981); Borioli, Ferraris and Premoli (1985).
[26] Ricuperati (1990), 853.

eighteenth century. Spanish predominance had come to an abrupt end in 1706–7, when the Duchies of Milan and Mantua and the Kingdom of Naples were invaded by Austrian armies. The new Austrian Habsburg ascendancy in the peninsula, however, did not remain unchallenged for long. Charles of Bourbon, a son of Philip V of Spain, became duke of Parma and Piacenza in 1731, on the death of the last Farnese ruler; subsequently, he conquered Naples and Sicily in 1734. In 1737, the extinction of another old princely house, the Medici, led to the establishment of Francis Stephen of Lorraine (later to be elected Emperor as the husband of Maria Theresa) in the Grand Duchy of Tuscany. The Peace of Aix-la-Chapelle, which in 1748 ended the War of the Austrian Succession, provided the finishing touches to a settlement which was to see no further changes until 1796: the Austrian monarchy was left in possession of a much-reduced Lombardy, while Parma and Piacenza were given to a younger brother of Charles of Bourbon, king of Naples. Among the main states of the peninsula, only the Papal States and the Republic of Venice kept their old forms of government.

Change, however, was not limited to the political and dynastic aspects of government. The whole conception of the nature and purpose of the state, of the relationships between the prince and his subjects, was evolving under the influence of powerful European currents of thought, such as the theory of the social contract or the German Cameralist tradition; and this was also reflected in the way people viewed public finance. In the age of the Counter-Reformation, theorists of the art of government (*ragion di stato*)—such as Giovanni Botero—had not questioned the legitimacy of either ordinary or extraordinary taxation, though they warned monarchs against excessive hoarding, extravagant spending or the selling of offices and other harmful practices which might alienate their subjects.[27] Seventeenth-century writers were more sensitive to the balance of forces between governments and privileged bodies which was characteristic of the Italian states at this time. Cardinal Giambattista De Luca, for example, compared the relationship between the monarch and the state (meaning, in fact, its 'natural rulers') to that existing between husband and wife: state revenue was thus the equivalent of a dowry, which the husband was entitled to use and administer, but of which he was not to have full possession.[28]

In the eighteenth century, the emphasis lay more and more on fiscal justice, on the well-being of subjects and on the duty of governments to promote prosperity and to relieve the poor. The *Trattato dei tributi* by Carlo Antonio Broggia (1742) and *Della pubblica felicità oggetto dei buoni principi* by Lodovico Antonio Muratori (1749) are typical products of this 'pre-Enlightenment' phase. It was only in the third quarter of the century, however, that the spread of

[27] Botero, ed. Morandi (1930), 189–210. [28] De Luca (1680), 13–14.

Physiocratic and utilitarian ideas decisively removed state finance from the sphere of politics into that of economics. It was no longer the prince's conscience that must dictate fiscal policies; it was knowledge of the 'natural laws' governing the production and exchange of goods. This was forcefully expressed, among others, by Giuseppe Palmieri when he wrote in his *Remarks on Various Articles Concerning Public Economy* (1790):

> The part concerning finances . . . is so dependent on public economy, that it cannot have true principles or exact rules except those dictated and prescribed by the economic science; for if public revenue is part of the income and wealth of the nation, it obviously ensues that the principles governing the part must be analogous to those governing the whole.[29]

Free trade, agricultural progress and the encouragement of manufactures became the goals towards which legislation was to strive. This did not mean that there was general agreement as to the means to be adopted: some writers and ministers, notably in Tuscany, favoured the Physiocratic single tax (*impôt unique*) on land rent, while others—Palmieri among them—insisted that indirect taxes were less 'obnoxious' and more easily collected than direct ones. But all were against fiscal privileges and exemptions; all criticized poll taxes and internal customs; all wanted strict proportionality between taxation and income, rationality and simplicity in the methods of collection and administration; all regarded contribution to the general good as the standard for public expenditure.[30]

The reforming drive which spread from Piedmont–Savoy to the other Italian lands in the 1730s and 1740s was partly a result of these new attitudes, but its origins were primarily practical and political. The prolonged warfare of the first half of the eighteenth century caused a sharp increase in the financial requirements of the states involved, if not as belligerent powers then as victims of military invasion or of extortionate payments demanded by the Imperial Treasury—as the example of Tuscany has shown. There were attempts at financial reform even in Venice and Rome, where new and more advanced methods of accounting were introduced by the middle of the eighteenth century to enable the governments to draw up regular budgets. But it was, above all, the new dynasties reigning in Naples and Florence from the mid-1730s which felt the need for change and tried to implement it. These rulers wanted to increase revenue in order to sustain their newly acquired positions. They were imbued with an exalted conception of absolute sovereignty, in sharp contrast to the views and practices prevailing among the local ruling classes. They also brought with them foreign administrators and councillors who had little regard for the ways of the past and were anxious to prove their worth to their masters.

[29] Palmieri (1790), 3–4. [30] Ricca Salerno (1960), 169–357; Capra (1990), 156–9.

Charles of Bourbon (king of Naples, 1734–59) seemed set in the early years of his reign to break the power of the feudal nobility and to intensify the struggle against the privileges and immunities of the Church which had begun earlier under the Austrian government. Improved administration, combined with an upsurge in agricultural produce and trade, led in a few years to a substantial growth in revenue, from an average of 2.6 million ducats in 1733–5 to 4.6 million in 1737–9.[31] Charles's most important policies in the financial domain were, however, the attempt to redeem income from taxes and duties which had been alienated under Spanish rule; and the decision to draw up new land registers throughout the kingdom, called *catasti onciari* after the money of account (the *oncia*) in which rateable values were expressed. For this purpose, a Concordat with the Pope was negotiated in 1741, subjecting ecclesiastical lands to half the tax paid by secular owners. But on both fronts the results were disappointing. Though a special *Giunta delle ricompre* was set up in 1751, the right of the state to redeem alienated revenues had to be established in hostile lawcourts; even when this was achieved, the *Giunta* preferred in most cases to leave the *arrendatari* in possession of their incomes in exchange for a lump payment, thus sacrificing a long-term financial benefit for an immediate gain.[32] In 1783, alienated revenue still amounted to 3.2 million ducats, while ordinary revenue was just under 4.9 million.[33] The old-fashioned character of the *catasti onciari*—land evaluations, for instance, were based on the declarations of the owners, and baronial lands were immune from taxation—and the resistance they met locally much reduced their impact on the existing methods of apportionment and relative fiscal burdens.

V

The failure of the Bourbons of Naples to modernize their finances and to break the stranglehold of the privileged classes over state institutions is in sharp contrast to the outstanding achievements of the two Habsburg dependencies, Austrian Lombardy and the Grand Duchy of Tuscany. Though by no means alone in their reforming activities—the small Duchies of Parma and of Modena also experienced far-reaching changes—these two states will provide most of the material for the remainder of this chapter. The new governing councils set up in Florence by Francis Stephen (who continued to live in Vienna after he became Grand Duke of Tuscany)—the Regency Council and the Council of Finances—were superimposed on, rather than substituted for, the old tangle of magistracies and jurisdictions to which reference was made earlier. In a sense, this was reflected in the arrangement adopted by Francis Stephen's powerful and ener-

[31] Zilli (1990), 69. [32] De Rosa (1958), 43–6. [33] Bianchini (1834–5), iii, 175.

getic minister, Emanuel de Richecourt, with regard to indirect taxes: their complicated and heterogeneous structure was left untouched, but their collection was entrusted in 1740 to a company of French financiers, or *fermiers généraux*, who paid a fixed yearly sum for the contract. This brought about an increase in the revenue enjoyed by the Grand Duke and led to a sustained struggle against waste, privilege and fraud. Nothing was done in Tuscany during the regency period, however, to reform the outdated and faulty methods of apportioning and collecting the land tax.[34]

In Austrian Lombardy—this was the name given in 1736 to the union under the same government of what was left of the Duchy of Milan and the Duchies of Mantua and Parma (Parma was later ceded to Philip of Bourbon in 1748)—the main impetus for reform was provided in the 1740s and early 1750s by Gianluca Pallavicini, a Genoese patrician who won Maria Theresa's trust and was appointed in succession overseer of the Imperial army in Italy; plenipotentiary (1745); minister of finance (1749); and governor of Austrian Lombardy (1750–3). Almost from the start, he understood that a better regulation of public finance, which was necessary for the maintenance of a stronger army in Lombardy, could not be enforced without a complete overhaul of the machinery of government and a determined onslaught on the power of the patrician oligarchy. Though not all his far-reaching projects could be realized, he succeeded almost single-handed in unifying the two financial agencies of the Milanese government (the *Magistrato Ordinario* and the *Magistrato Straordinario*); in abolishing the sale of offices and preventing illicit profits from their exercise (1749); in concentrating the collection of indirect taxes into a general revenue farm on the French—and Tuscan—model (1751); and in founding a public bank, named *Monte di Santa Teresa*, for the servicing and eventual repayment of the public debt (1753). Above all, he induced Maria Theresa to appoint in 1749 a new *Regia Giunta*, headed by the Tuscan Pompeo Neri, to resume work on the reform of the *cadastre*, which had been ordered by Charles VI in 1718 but abandoned in 1733 as a consequence of the Franco-Piedmontese invasion.[35]

The Lombard *censimento* or *cadastre* was, by common consent, the most sophisticated and technically advanced operation of its kind in Italy and probably in the whole of Europe in the eighteenth century. The unit of measurement and evaluation chosen by the first *Giunta* was not the estate or property held by the individual taxpayer, but the parcel, described as a contiguous portion of land having the same productive purpose, so that in the case of the breakup of an estate due to partial sale or hereditary splitting, it was sufficient to change the name of the owner in the land register. The capital value of each parcel was

[34] Waquet (1990), 533–76; Diaz (1988), 59–73. [35] Capra (1984), 268–300.

assessed on the basis of its average yearly produce, after deduction of the expenses for cultivation, and the tax to be paid by each landowner was calculated as a fixed percentage of this capital value, though varying extra charges might be added according to the needs of local communities.

Other direct levies were maintained in addition to the land tax, the most important being a poll tax to be paid by each adult male living in the countryside—townsmen were spared because they paid many more duties and excises—but the share of the total direct burden coming from these additional taxes was nearly halved, from 19.3 to 10.5 per cent. Two further aspects of the Lombard *censimento*, which came into force in 1760, deserve to be recalled. In the first place, the land tax ceased to be a repartition tax (*impôt de répartition*), as it had been until 1760, and in effect became a quota tax (*impôt de quotité*): in other words, while formerly each community or body of taxpayers was allotted its share of the burden and then left more-or-less free to apportion it among its members as it wished, henceforth there was no intermediary body between the taxpayer and the state, to which the former was individually responsible for his payment. Secondly, fiscal and administrative reform were closely linked: communal affairs were henceforth to be run by administrators elected by all landowners, irrespective of birth or social condition, but their freedom of action was strictly limited by new officials called *cancellieri del censo*, who presided over groups of communities and ensured that the *censimento* rules were obeyed.[36]

While the Lombard *cadastre* was the model for all subsequent land surveys, such as those carried out in the Papal States and in the Duchy of Modena towards the end of the century, Tuscany under its young and enlightened new ruler, Peter Leopold (1765–90), was ahead in the field of indirect taxation. To bring order and rationality into the chaotic system already described required in the first place the reassertion of state control over this type of revenue. As has been noted, the system of general farms had the advantage of ensuring a higher revenue for the state as well as cutting through the intricate web of privileges and exemptions. The next step was for governments to take over the collection and administration of taxes and then proceed to restructure them, which could hardly be done as long as they remained in private hands. This happened in Florence as early as 1768, and in Milan two years later. In both territories, this measure was followed by the abolition of a number of 'obnoxious' duties and by the unification of the internal market. This was achieved after long preparation in Tuscany in 1781 and in Lombardy in 1786. Less sweeping but similar in intent were the reforms decreed in the Papal States in 1786 and in Venice in 1794. These policies were followed primarily to encourage trade and manufactures, though

[36] Capra (1984), 310–28, 338–50; Mozzarelli (1982).

it was hoped that in the long run there would be additional revenue advantages. A special case was the buying and selling of cereals and other victuals, which was traditionally hampered by all sorts of controls and prohibitions. The Physiocratic plea for complete freedom of trade as a means of maximizing agricultural profits and preventing dearth found a sympathetic response in Peter Leopold and his councillors: in the celebrated law of 1775, the Grand Duke of Tuscany was the first European ruler to remove all restrictions on the import and export of corn. The old *sistema annonario* was to a great extent dismantled in Lombardy and in other parts of Italy as well.[37]

Debt servicing costs weighed heavily on the finances of most Italian states—Piedmont being the main exception. The efforts of governments to consolidate their floating debt, to reimburse creditors and to reduce the burden of debt servicing costs were helped by the general trends toward lower rates of interest, which by the second half of the eighteenth century were everywhere at or near 3 per cent. The solutions adopted varied from partial bankruptcies, as in Venice, to the creation of new public *Monti* where the old bonds could be transferred at lower rates, as in Milan and Genoa, to the maintenance of traditional practices, as in Naples and Rome. In relative terms, that is in proportion to ordinary revenue, the amounts spent on debt servicing costs decreased almost everywhere.

Only in Tuscany, however, was there a determined attempt to eliminate the debt completely, by means of a bold expedient suggested by Francesco Maria Gianni, Peter Leopold's most influential councillor in the 1780s. As part of his struggle against the Tuscan 'Physiocratic party', who advocated the single tax (*impôt unique*) on landed property and wanted a new cadastral survey as a necessary basis for its apportionment, Gianni observed that the existing inequities in the distribution of the land tax could be remedied simply by suppressing the tax itself. Since the annual yield from this tax was roughly equivalent to the sum of the interest payments to state creditors, he proposed to eliminate the land tax and the debt simultaneously. According to his proposal, creditors were to give up their bonds in return for the cancellation of the *decime* and other direct taxes they owed to the state, capitalized at a rate of 3.5 per cent. A landlord who paid a tax of 3.5 *scudi* per annum, for example, would be exempted permanently from this burden if he had a 100 *scudi* bond and agreed to renounce it (since the conversion of 1770, such a bond yielded only 3 *scudi* per annum). Those who owned no bonds, or possessed too few, were encouraged to buy them from local churches and monasteries, charitable trusts and other similar bodies, who between them held the majority of the debt. Gianni's plan was put into effect in

[37] Büchi (1915), 126–282; Dal Pane (1965), 75–116; Mirri (1972); Becagli (1983).

1788 and by 1790, when Peter Leopold left Florence for Vienna to become Emperor, nearly three-quarters of the Tuscan debt had been cancelled already in this way. Of course, in the long run the programme could be successful only if the government kept its promise never to re-establish direct taxation under any form, and only if it refrained from further borrowing. Neither of these conditions could be maintained in the difficult circumstances of the 1790s.[38]

Gianni's plan for the joint cancellation of the public debt and of the land tax can be regarded as a notable exception to the eighteenth-century tendency towards higher levels of state expenditure and state intervention. Tuscany, in fact, was the only state in Italy, and perhaps in Europe, where the fiscal burden decreased in absolute terms, in spite of the growth in population and in prices—it fell from about 1.5 million *scudi* in 1758 to about 1.3 million in 1790.[39] This was due not only to the reduction in the burden of public debt, but also to the moderation of some indirect taxes, such as the salt and flour *gabelles*. On the expenditure side, the main explanation lay in the virtual elimination of military costs, which in turn was made possible by political neutrality and by the dynastic link with the Habsburg monarchy.

The experience of Austrian Lombardy was in sharp contrast with Tuscany. Excluding Mantua, revenues in Austrian Lombardy rose from just under 14.1 million Milanese *lire* in 1761 to 24.7 million in 1794.[40] In *c.*1790, the average per capita burden was almost 20 *lire* in Milan and about 9 *lire* in Tuscany (in French money, this would mean 15 and 7 *livres* respectively). It should be emphasized, however, that these figures refer to state revenue only; it seems likely, though specific studies are lacking, that local taxation weighed more heavily in Tuscany than in Lombardy. Moreover, the 75.6 per cent rise in revenues in Lombardy derived essentially from indirect taxation, which produced 43.1 per cent of total revenue in 1761, but 55.1 per cent of the total in 1794, and was obtained through the reforms described above—the redemption of alienated revenues and the abolition of tax farming—and through the natural expansion of trade and consumption, rather than through increased fiscal pressure.

An analysis of expenditure in the various Italian states cannot be undertaken here. There is no doubt, however, that military costs took a much larger share of state budgets in Piedmont and Lombardy (which had to support a large Austrian army) than, say, in Tuscany or in the Papal States. But it is also true that heavier taxation meant, at least in Piedmont and Lombardy, more investment in administrative improvement, in public works, education and the like. It is probably no coincidence that the two most heavily taxed regions in eighteenth-

[38] Dal Pane (1965), 137–47; Diaz (1966), 217–44.
[39] Dal Pane (1965), 64–5; *Governo* (1790), Appendix, Dimostrazione II.
[40] Bianchi (1978), 186.

century Italy—Piedmont and Lombardy—were to be in the forefront of industrialization and economic progress in the not-too-distant future, and that one of them became the military and political driving force of the *Risorgimento*. A great deal more research and interpretation is needed, however, before we can understand these complex relationships and the process of transition to industrialization and political unification in the nineteenth century.

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CHAPTER 14

Poland–Lithuania before Partition

Anna Filipczak-Kocur

After 1385 Poland and Lithuania were linked in a dynastic union which was transformed into a conscious political association by the Union of Lublin of 1569. As a result of this association, the Polish tax system was introduced into Lithuania with only relatively minor changes. The revenues and expenditures of the two parts of the Polish–Lithuanian Commonwealth (*Rzeczpospolita* or *Res Publica*) were kept separate, but both states frequently financed the same political ventures. This chapter will present the results of research based on a comparison between the fiscal systems of the kingdom of Poland and the Grand Duchy of Lithuania and will demonstrate the revenue balance between the two states in time of war.[1] In particular, it draws upon materials in the Russian archives: among their holdings are documents from the Lithuanian Chancellery known as *Metryka Litewska*, which include the income and expenditure of the Lithuanian treasury.[2] In general, however, the sources for Polish fiscal history are much more extensive than for those of Lithuania and for this reason the emphasis of this chapter will be on Polish developments.

During the period under review, Poland–Lithuania had two treasuries in each constituent part of the Commonwealth: the Royal, that is, Court Treasury; and the State or Public Treasury. The revenue of the Royal Treasury came from the royal domain, while that of the Public Treasury consisted mostly of taxes fixed for a specified time and purpose. Even though the sources of the revenue and its destination differed, the Public and the Court Treasuries were administered jointly by the State Treasurer, although there was an office of Court Treasurer whose powers were defined by law in 1504. Until the end of the sixteenth century, the two Treasuries were not strictly separated with regard to either revenue or expenditure.[3] It was not until statutes were passed for both

[1] Filipczak-Kocur (1985, 1991*a*).
[2] Filipczak-Kocur (1994); Tyla (1986).
[3] Pałucki (1974), 149–55, 212–17.

Lithuania[4] and for Poland[5] in 1589 that the monarch's private revenue was separated from the state revenue, but for most of the sixteenth century this was a significant contrast between the Polish–Lithuanian fiscal system and that of other European states. These statutes set aside a portion of the royal domain for the exclusive use of the monarch. These portions came to be known as the 'economies' (*ekonomie*).

In the Polish–Lithuanian Commonwealth the domain was considered to be state property and not that of the king. Income from the domain was supposed to be sufficient to pay for the costs of defence, the army, the administration and the judicial system, but in reality it was insufficient to pay for any of these requirements. In both Poland and Lithuania it served to finance the personal costs of the king and his court, and was also partially pledged as collateral against loans or was leased out in return for a low rent. In Poland the domain was taxed, by the introduction of a levy called the quarter (*kwarta*) in 1569. This was used to help meet the expenses associated with keeping a permanent military force on the south-eastern borders as a defence against the Tatars.[6] The introduction of the *kwarta* marked the establishment of a permanent state treasury in Poland, but its income was only sufficient to pay the wages of between 1,500 and 2,000 soldiers.[7] At this date, there was no public treasury as such in Lithuania, because the royal domain was not subject to the *kwarta* levy until 1632. This was the price that had to be paid for the compromise reached at Lublin between the two nations in 1569. The Commonwealth was not able to accomplish its political goals on the basis of income derived solely from the domain even in sixteenth-century circumstances, but in the seventeenth century it was impossible to mount an active foreign policy without recourse to taxation. The revenues of the state were mainly based on extraordinary taxes approved by Parliament (the *Sejm*) for specific purposes and a limited duration, which were perceived as contributions to the state.

I

As background to our analysis of Poland's fiscal problems it is necessary briefly to discuss the State Treasury's monetary policy, and the influence of monetary policy both on prices and the fiscal capacity of the taxpaying population.[8] In Poland, decisions affecting the emission of money and the mints were taken by

[4] *Volumina legum*, ed. Ohryzko (1859), ii, 289. [5] Ibid. 312.

[6] Sucheni-Grabowska (1965, 1967, 1973); Sucheni-Grabowska (1974), 23–6.

[7] Wimmer (1968).

[8] Zabiński (1981) presents a synthesis of the accounting and monetary systems with an economic analysis of the changes they underwent. Zabiński has taken the basic diet as an indicator of the

the *Sejm*. Until 1632, the income from the mints belonged to the king, but in that year it was transferred to the State Treasury. At the beginning of the period under review, during the reign of John Olbracht (1492–1501), an attempt was made to stabilize the coinage: in 1496, the *Sejm* set the maximum price of the ducat at 30 *groszes*. This decision could not prevent changes in the price of gold and silver on the world market from having an impact on Poland. However, a new coin—the Polish *złoty* (*florenus polonicus* or *aureus polonicus*), worth 30 silver *groszes*—was introduced to counterbalance the red *złoty*, that is, the ducat. The monetary reform carried out in 1526–8 established the *grosz* as the base unit for the currency. Its value was fixed at the level established for the half-*grosz* during the reign of John Olbracht, which was subsequently confirmed by Alexander (1501–6) in 1502 and by Sigismund I (1506–48) in 1507. The *grosz* continued to be issued for over a century. In 1528, ducats began to be issued regularly in Poland and their intrinsic value remained fixed from that date until 1650. There was a rapid rise in prices (Figure 14.1) during the reigns of the last two kings of the Jagiellon dynasty (1506–72).[9] In the course of the sixteenth century, the prices of foodstuffs increased fivefold, while the price of gold doubled in relation to silver. Under Stefan Bátory (1576–86), the Polish and Lithuanian monetary systems were fully unified: the ratio of the Polish *złoty* to the Imperial *gulden* was fixed at 1:1 and that of the Polish *grosz* to the *kreutzer* at 1:2. Symptoms of a monetary crisis, caused mainly by instability in the German market, were evident during the reign of Sigismund III Vasa (1587–1632).

There have been various interpretations of this crisis, the period of acute 'price revolution'. Increasingly debased small coins were issued in the smaller German principalities and Bohemia.[10] As the value of these coins depreciated, so the *taler*, the ducat, products sold on the market and salaries rose in value (soldiers' pay rose significantly, for example). In Poland, the value of *talers* and ducats rose above the value of the actual silver content in the lower-denomination Polish coins: the same amount of silver was worth more in a *taler* than in a small coin. This led to two levels of prices calculated in silver: those counted in *groszes* rose while those calculated in *talers* fell. The attempt to eliminate the circulation of foreign coins was unsuccessful. In order to halt the flow abroad of better small coins and the inflow of low quality foreign ones, the pure silver content in the Polish small coins was reduced to the level of

purchasing power of money in various countries and various periods, and called it *trophe* (from the Greek *he trophe* or 'food'). This is the cost of basic foodstuffs providing the human organism with 3,000 calories, that is, 1,800 calories in carbohydrates, 900 in fat and 300 in protein.

[9] ESFDB \kocur\polgoo2 based on \poldoo5.

[10] Bonney in Bonney (1995), 468; Zabiński (1981); Pelc (1935); Tomaszewski (1934); Mikołajczyk (1980), 45–6; Sadowski (1964, 1965).

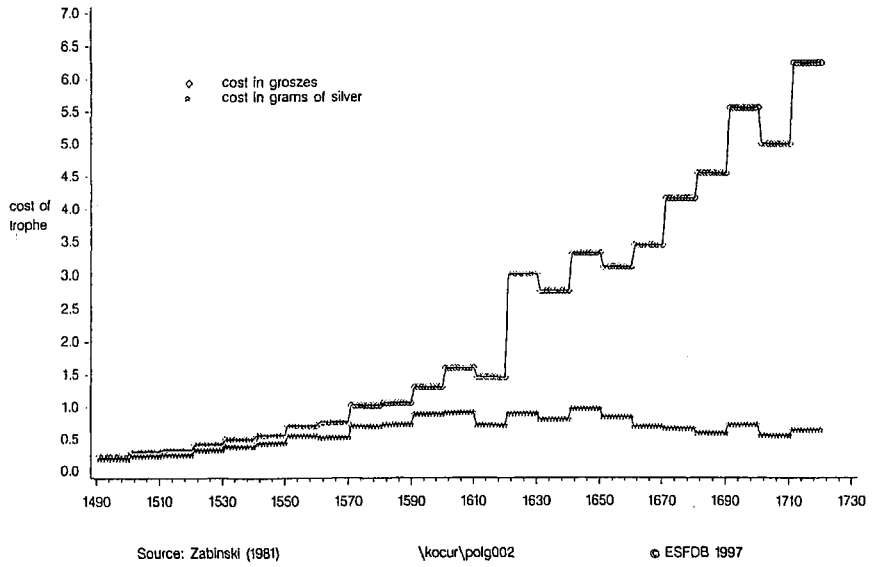

FIG. 14.1 The cost of a range of basic foodstuffs in Poland, 1491–1720

the actual price of the *taler*. Devaluation was carried out several times in the years 1604–23. The intrinsic value of silver coins was reduced by 41 per cent in 1616–23. In 1627, the mints were closed down and the minting of small coins ceased. This state of affairs lasted for some twenty-three years.

After a monetary reform in 1650, the Polish coinage was of a higher standard than that abroad. The value of the *taler* and the ducat corresponded to their intrinsic value; production costs were not taken into account in their emission. The minting of small coins yielded only small profits which barely covered the costs of emission. The *Sejm* of 1658 determined that the Polish mints should yield an annual income of at least 150,000 *złotys*. This led to the decision to set up an extraordinary mint for the emission of small copper coins or 'shillings' (*tymfs*), which began in 1659. The result was a rapid inflation of prices, exacerbated by the emission of *tymfs* by another extraordinary mint in 1663. The *tymfs* were token 30 *groszes* coins, notionally of silver, but which in fact contained a silver content of less than half their nominal value.

The minting of *tymfs* was less an economic error than a necessity required to rectify the finances of a state ruined by war. The two extraordinary mints were closed down in 1667, so that in the period until 1717 only the ordinary mints operated, issuing ducats and *talers* for a year or so at a time. A silver standard was adopted by fixing the ratio of silver to copper coin, although as a result of market

conditions the exchange rate of the silver coin rapidly appreciated. In practice, the monetary system gradually approached the arrangement ratified by the Act of 1717, when the ratio between silver and copper was fixed in accordance with the market value. This arrangement survived until the reforms introduced in the second half of the eighteenth century. The inflation of *złotys* and shillings led to significant quantitative and qualitative changes in the money in circulation: the 'good' coins were those issued before the period of the inflation, and 70 per cent was added to their nominal value in the official accounts. The coinage of shillings and *tymfs* was not meant to replace taxes but to supplement them. In the years 1662–4, when the fiscal exploitation of debasement of the coinage reached its peak, 34 per cent of the revenue of the Polish Treasury arose from this source, compared to 66 per cent which came from taxation. Yet the fiscal yield from debasement was highly volatile: in 1661, the Treasury obtained only 10 per cent of its revenue from minting, and later, in 1668, just under 17 per cent. During the reign of John Sobieski (1674–96), the Treasury received no income at all from minting, none even from the ordinary mints.[11]

The emission of inferior quality coins had a significant effect on the level of prices. Although there was a rapid inflation of prices when calculated in copper, the prices of goods produced within Poland, when calculated in silver, actually fell. This had a serious impact on the value of exports, especially grain exports. Conversely, the prices of imported goods rose. Agricultural products were the most important item of Polish exports and the agricultural population was the main taxpaying sector, but the fall in the prices of farm products (when calculated in silver) decreased the purchasing power of this sector of the economy, and reduced its ability to pay taxation. This in turn affected the revenue of the Treasury. During the period under review, the value of the ducat, calculated in grams of silver, was, with a few exceptions, more stable than its purchasing power (Figure 14.2).[12] In 1491–1500, its silver equivalent was the lowest ever recorded. The ducat was then worth only 23 grams of silver, but by the years 1661–70 it was worth over 64 grams.[13] The purchasing power of the ducat showed some fluctuations, but on the whole, its rise was parallel to its price in grams of silver. In the years from the 1490s to 1601, the purchasing power of silver, but not of small silver coins, was more stable than the ducat's value in *groszes*, as can be seen in Figure 14.2. The price of the gold ducat was not as volatile as that of the silver coinage. Despite the fact that its price expressed in silver fluctuated, it remains a very good indicator for measuring prices during the period.

[11] For data concerning the income of the mints: Rybarski (1939), 421.

[12] ESFDB \kocur\polgoo3 based on \poldoo6.

[13] According to the prices in Cracow: Pelc (1935); Tomaszewski (1935).

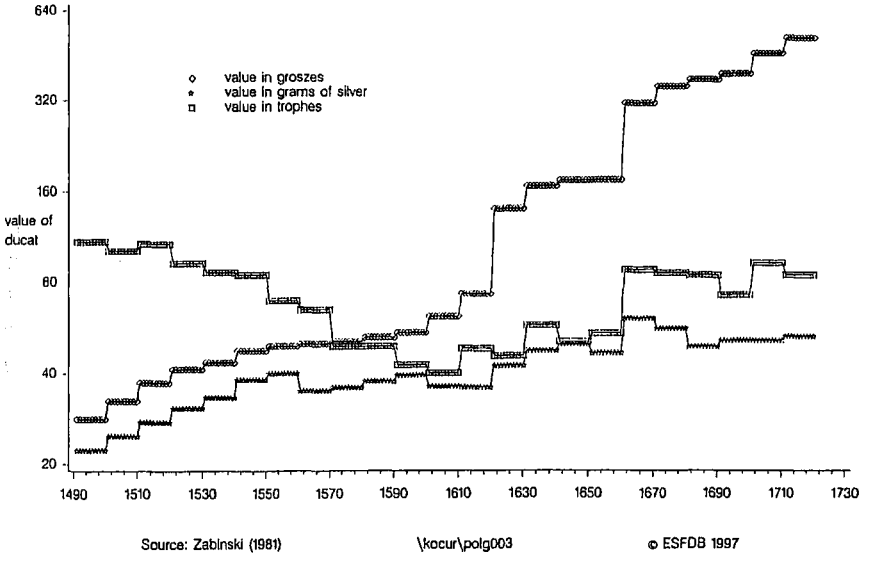

FIG. 14.2 The value of the ducat in Poland, 1491–1720

The importance of considerations of monetary fluctuations is fully revealed in Figure 14.3.[14] There was considerable variation in the revenues of the Polish Treasury between 1576 and 1717, as is fully evident from this graph. Since 90 per cent of revenues was spent on the army, variations in the figures are due first and foremost to the frequency, intensity and duration of war. But the other main conclusion to be drawn from this graph is the fact that, in spite of the growth of revenue when calculated in *złotys*, its value in ducats was diminishing. It was at its lowest at the beginning of the eighteenth century, with the exception of the years 1711–12.[15] Because of monetary instability, the revenue base of the Polish–Lithuanian Commonwealth was gradually eroded, and it would have needed both a more stable currency and significant revenue growth for this trend to have been reversed.

II

In the second half of the fifteenth century, the Polish kings covered the cost of defending the state frontiers by income from the domain, and if this did not

[14] ESFDB \kocur\polg004 based on \poldo04.

[15] There are no accounts of the taxes for the army for the years 1683, 1685, 1688 and 1690, since they were left at the disposal of the dietines. The Treasury received only permanent and extraordinary revenue. However, the total levy is shown in Fig. 14.3.

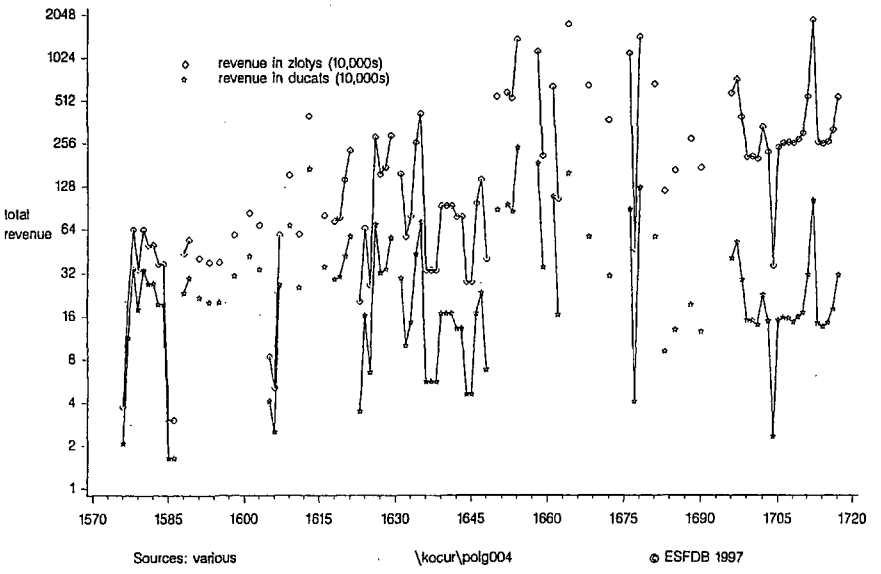

FIG. 14.3 Total revenue of the Polish Royal Treasury, 1576–1717

suffice, they asked the gentry for taxes. After the extinction of the Piast dynasty in 1370, the domain had been regarded as the property of the state, not of the king, and it was believed that its public function was to finance defence. This was expressed most clearly in the statutes proclaimed at Nieszawa in 1454. The possibility of modifying and modernizing the institutions of the state was restricted by the fact that only the nobility participated in the political process. The nobility remained content with the fact that the costs of defence were met by the monarch, and were interested only in avoiding taxation, not in reorganizing the Treasury. Reformed fiscal institutions might strengthen the crown and enable the king to restrict noble privileges. Sigismund I tried to ensure that the defence of the state was financed by regular taxes appropriately distributed among the gentry in lieu of military service.[16] The amount to be paid was to depend on a nobleman's wealth, defined by an appraisal of his property. However, the king's reform programme foundered on the opposition of the larger landowners. The middling gentry launched a completely different concept of reform with their programme known as 'execution of the laws and restoration of property'. They demanded the resumption of royal estates which had been alienated or pledged in defiance of the law, that is, without the consent of the

[16] For these proposals: Blumenstok (1888); Wycański (1952). For the king's attempts to carry out reforms: Zivier (1915), 82–93; Lubomirski (1868).

Sejm. They also demanded the observation of the law with regard to the king's privileges. In the 1550s, these ideas were developed into a broader programme for the reform of the state. This programme, which was proclaimed initially in opposition to the king, eventually gained the monarch's acceptance in 1562–3 and was partly put into effect at the end of the Jagiellon era.

The domain was the main source of credit for the monarch but it was not inexhaustible. In 1504, during the reign of Alexander, the *Sejm* passed legislation of great importance for the Treasury and the domain.[17] It envisaged that the estates of the domain could be pledged only in case of urgent state need and that the decision had to be taken by the *Sejm* with the consent of the Senate. The act also stipulated that the lender should systematically deduct the amount of loan interest due to him from the income of the estate he held in pledge: this restricted the king's powers over the domain. This legislation, usually called 'Alexander's Statute', was the starting-point for the reform movement in the sixteenth century. Alexander, who died in 1506, left an empty Treasury, and a large part of the domain in Poland and Lithuania was in pledge—a consequence not only of his poor management and that of his predecessors, but also of the greed of his entourage. Many of his followers had no scruples in claiming profits which far exceeded the sum loaned to the king.

Sigismund I, in taking over the empty Treasury left by his brother in 1506, tried to regain the pledged estates of the domain.[18] He could not take radical measures such as annulling the pledges, because this policy would have been directed against the senators and junior officials who formed the basis of his support. But he gradually resumed pledged estates with the financial assistance of the rich burghers of Cracow, Danzig and Toruń and the commercial companies connected with them. In this way loans were contracted on current income. Because of his expenditure requirements, Sigismund I was unable to avoid contracting new loans secured on the landed estates, but he rarely made more than one pledge transaction a year. Whereas Alexander had pledged property for an average of 34,250 *złotys* per annum, Sigismund I did so for only 1,350 *złotys* per annum. Sigismund managed to merge much of the domain and to place it in some sort of economic and legal order. At the end of his reign, the property administered by the Treasury or leased out accounted for 76 per cent of the domain, with pledges taking up the remainder. Moreover, the domain yielded a higher income than before and the Treasury had a staff of competent officials.

Sigismund Augustus succeeded his father in 1548 in conditions of fiscal stability and external peace, but these advantages were rapidly eroded by the extrava-

[17] *Volumina legum*, ed. Ohryzko (1859), i, 136.

[18] Sucheni-Grabowska (1967); Chłapowski (1984).

gance of the king and his court, various military costs and the cultural pursuits of the last king of the Jagiellon dynasty. In 1562, after the first fifteen years of his reign in Poland (he had ruled in Lithuania before his accession as king of Poland), the king spoke of the 'destitution' of the Treasury. Between 1548 and 1561, 24 per cent of the unpledged estates of the domain had been alienated. In 1565, lacking the resources to wage the war to preserve Livonia from Muscovite expansion, the king, with the consent of the *Sejm*, had to pledge estates for 500,000 *złotys*. Reforms carried out earlier, in 1563, invalidated previous alienations of the domain which were deemed contrary to Alexander's Statute of 1504; such estates were to be resumed by the Treasury and the entire domain was placed under its control. But the repayment of the debts encumbering the domain was spread out over too long a period, in some cases for terms of 100 or even 150 years. This was one of the more important deficiencies in the implementation of the reforms of the 'execution of the laws' movement.

The nobility wanted to burden the royal domain with the cost of defending the Tatar–Moldavian frontier. In practice, Sigismund I had paid the army out of taxation, which he managed to levy thirty times during his forty-one-year reign.[19] Since there was no law allowing the king to levy taxes for defence purposes, Sigismund always had to ask the *Sejm* for the approval of taxation. The costs of defence were carried mainly by the peasants and townsmen, while the nobility was exempt from taxation. Those nobles who supported the 'execution of the laws' programme argued that the magnates had plundered state property, the domain, and were shifting the burden of the losses suffered by the state onto the rest of the population. By 'plunder' they meant that parts of the domain had been pledged to the magnates; other parts had either been used by them without payment or alienated from the domain in other ways. The nobility believed that the royal domain should provide the revenue necessary for the costs of the governmental apparatus and the courts of law and also for the upkeep of the king, his family and the court. Extraordinary requirements of the state, especially the cost of wars, were to be paid from taxes, which were invariably regarded as temporary contributions. The problem of financing the defence of the state's south-eastern frontiers was solved under Sigismund Augustus by the *Sejm* of 1563, in accordance with the views of the nobility. The king assigned a quarter of the net income from the domain and the *regalia*, the so-called *kwarta*, for the maintenance of a standing army.[20] In reality, the 'quarter' amounted to a fifth (20 per cent) of the gross income. This was the result of a compromise between the king and the nobility. It was the price paid by Sigismund Augustus

[19] For the tax legislation: Sucheni-Grabowska (1974), 23–6.

[20] For the introduction of the *kwarta*: ibid. 166–84; Dembińska (1935), 59–105; Pałucki (1965). For the implementation of the Act of 1563: Pałucki (1974), 43–65; Sucheni-Grabowska (1965; 1967*a*; 1973).

in order to levy taxes for the Livonian war and also to secure the assistance of the 'execution of the laws' movement in the resumption of estates formerly belonging to the domain. Those who held alienated domain lands on leasehold were to pay three-fifths (that is, 60 per cent) of their gross incomes to the king, 20 per cent to the *kwarta* purse and they were entitled to retain 20 per cent for themselves. However, from the beginning the three-fifths, usually called 'the three parts', was more a notional than an actual rate of payment to the royal Treasury.

The adoption of the law in 1569 concerning the *kwarta*[21] resulted in the establishment of a Public Treasury with a permanent revenue (although, as has been seen, this law did not apply to Lithuania until 1632). The rules governing its operation survived in Poland for 225 years. From the outset, the revenue of the *kwarta* purse was insufficient to finance all the tasks imposed on it. After 1569, Poland's borders expanded in size, following the incorporation of Ukrainian territories. This required a 20–30 per cent increase in expenditure as against the period before the Union of Lublin of 1569. Moreover, army costs had risen significantly by the 1580s, by as much as 50 per cent. An army of 4,000 men required an annual expenditure of 140,000 *złotys*. The real cost in the years 1587–1609 was as high as 210,000 *złotys*.[22] Yet the *kwarta* brought in an average of 98,000 *złotys* per annum in 1576–86, and about 155,000 *złotys* per annum in 1587–1632.[23]

Had the *kwarta* reached the level planned by the crown in 1563–9, it would have guaranteed a steady recruitment of 5,000–6,000 soldiers for the frontier defence guard: but it was never sufficient for an army on that scale. The revenue from the leased royal estates actually fell during the reign of Stefan Bátory (1576–86). Even the payment of contractual sums was not exacted. The leaseholders were formally exempted from their obligations, which may have been the result of corruption or negligence on the part of the treasurer's office. Moreover, Stefan Bátory did not make use of the opportunities offered him by the 'execution of the laws' legislation. At the beginning of his reign in 1576, he had to avail himself of the advice of those who had helped his election, including people who disliked the reforms. The senate oligarchs, endowed with royal estates, preferred to agree to taxation paid by others rather than to an increase in the *kwarta*. Bátory's reign thus saw the virtual elimination of the monarch from control of the domain and was in effect a leaseholders' paradise. The monarch's financial

[21] *Volumina legum*, ed. Ohryzko (1859), ii, 94–6.

[22] Sucheni-Grabowska (1973), 4.

[23] Pawiński (1881), 140–1; Filipczak-Kocur (1985); Wimmer (1968), 82–7; Rybarski (1939), 161–2; Nycz (1938), 142–3.

claims were restricted to specific sources of income. As a result, state property was gradually divided into two separate categories.

One category of state property was a grouping of estates placed at the disposal of the monarch in 1590 and called the 'table estates' (*bona mensae regiae*), which yielded about 15 per cent of the gross income from the domain in Poland, plus income from the *regalia* (mines, customs duties and income from mints). The other category consisted of estates which were leased out, the income from which went mainly to their lessees and, to a much smaller extent, to the *kwarta* purse. During the reign of Sigismund III Vasa (1587–1632), the monarch was, in effect, though not by law, deprived of the 'three parts' to which he was entitled. The 'table estates' came under the management of the Court Treasurer, and were thus freed from the control of the State Treasurer and consequently from the supervision of the *Sejm*. On the other hand, the nobility tried to link the property of the Commonwealth more closely with the public purse. Their ideas about the purposes of the domain evolved, since the king did not exact his right to the 'three parts'; and they sought to increase the share of the public purse from domain profits. This was the purpose of Ladislas (Władysław) IV's *pacta conventa* of 1633: the monarch undertook to pay another quarter of the income from the royal domain towards the *kwarta* purse, which (to distinguish the new quarter from the old one) was called the new *kwarta*.[24] However, this amount was fixed on the basis of the appraisal of the domain carried out half a century earlier.

By the mid-seventeenth century, the old and the new *kwarta* amounted to 40 per cent of the income of the domain, while 60 per cent was retained by leaseholders. Though the 'execution of the laws' acts stipulated that the incomes from the domain should be audited every five years, the first general audit carried out in 1564 was not followed by another until 1660–5 when, as a result of the significant war damage, it showed commensurately low incomes. This restricted the yield of the *kwarta*, since the next general audit was not carried out until 1764. The *kwarta* had been higher in the years 1615–54, since some categories of estates had yielded a higher income during this period as a result of the resumption of estates pledged by Sigismund Augustus in the sixteenth century. However, the share of the public purse from domain income fell below expectations. It can be assumed that even in the relatively favourable years between 1632 and 1654, after the introduction of the second *kwarta*, the share of the *kwarta* purse did not amount to more than 10–15 per cent of domain income, instead of the 40 per cent that was envisaged. With the falling exchange rate of the *złoty*, in

[24] Filipczak-Kocur (1991*a*), 10–11.

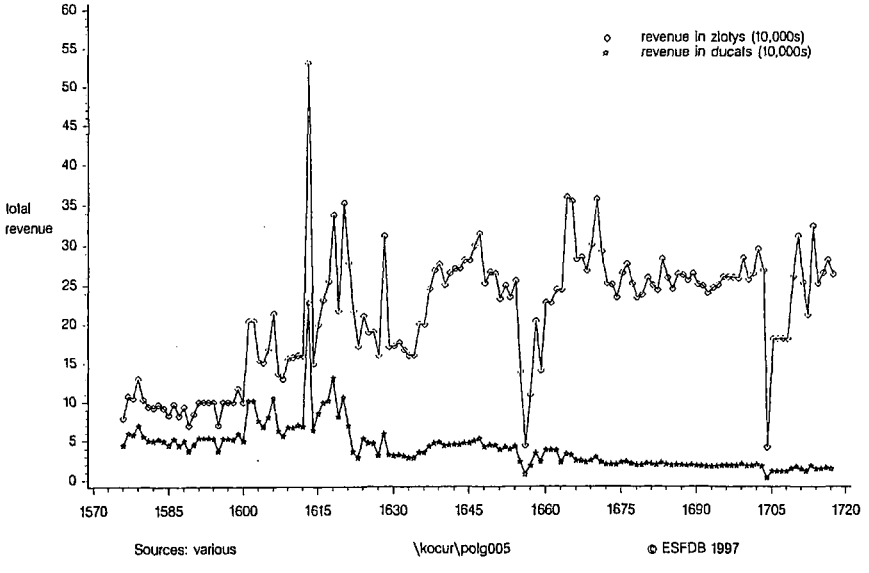

FIG. 14.4 Revenue of the *Kwarta* Treasury, 1576–1717

particular in the last quarter of the seventeenth century and at the beginning of the eighteenth century, this share was constantly decreasing, falling perhaps to as low as 2 or 3 per cent. Revenue from the *kwarta* was insufficient to support more than a mere 1,000 soldiers. As is shown in Figure 14.4, revenue from the *kwarta*, calculated in *złotys*, remained more-or-less constant from the end of the 1630s.[25] The only exceptions were the years of the war with Sweden (1655–60) and the period of destruction caused by the Great Northern War in the years 1701–8, when they were lower. But when calculated in the more stable ducats, the revenues from the *kwarta* had been falling constantly since the 1660s, to about 18,000–20,000 ducats per annum by the end of the seventeenth century. In the early years of the eighteenth century the revenues from the *kwarta* sank even lower, to 11,000–15,000 ducats.

III

The original intention was that the *kwarta* purse would represent the beginnings of a permanent State Treasury, and that the *kwarta* itself would form merely a part of the total revenue of the Treasury. The aim was to use Poland's enormous wealth to guarantee the security and independent existence of the state. Instead,

[25] ESFDB \kocur\polg005 based on \poldo03.

about 90 per cent of domain income was taken by leaseholders of domain estates who usually employed the income for their own purposes and neglected the administrative and judicial tasks entrusted to them at the time they had gained control of the royal estates. Thus domain income was insufficient to cover the state's military needs both before and after the establishment of the *kwarta* purse. The king had to resort to taxes adopted with the consent of the nobility, which was expressed at local diets ('dietines') after the mid-fifteenth century and at the *Sejm* after 1492. The dependence of tax decisions on the consent of the nobility was a consequence of the privilege granted by Louis d'Anjou (1370–82) at Koszyce in 1374, which exempted the nobility from all taxes with the exception of two *groszes* per *łan* (about 17 hectares). These *Sejm* taxes,[26] as they were usually called, included both direct and indirect taxes and contributions.

The most important of the direct taxes was the land tax (*łanowe*), which included various other contributions mainly payable by the rural population. It was assessed according to the number of *łans* under cultivation. The tax was levied on the peasants on lands belonging to the gentry and the ecclesiastical landlords, but not on the gentry's manorial estates as such. (In contrast, in urban areas a tax known as the *szos* (or *exactio civilis*) was paid on the value of urban property held.) Until 1563, the land tax was levied at the rate of 12 *groszes* per *łan*. Though Sigismund I succeeded in persuading the Parliaments held in 1525–7 to pass an act for the assessment of all estates in Poland, this measure was not fully implemented because of the resistance of the clergy and the nobility. In the estates where the survey was taken and the arable land was evaluated, the documents were destroyed. The *Sejm* of 1563 reformed the land tax, changing both its method of assessment and its social incidence. In place of the former system, in which the rate of tax was levied on the basis of old tax returns, irrespective of the steadily increasing area under cultivation in both existing and newly established villages, the land tax was to be paid according to the actual number of tax units, which were to be verified and confirmed upon oath. A new rate of tax of 20 *groszes* per *łan* was introduced, which was subsequently increased to 30 *groszes* in 1578. The legislation of 1563 was an important development since, by decreasing the burden of the peasants' tax payments, the clergy for the first time was indirectly taxed: the taxpayers were to pay half the land tax and had the right to deduct the other half from tithes payable to the Church.

In the second half of the seventeenth century, the land tax was still paid on the basis of the 1578 levy, which had not been revised. Consequently, attempts were made to reform the land tax through the assessment of the land under

[26] Rutkowski (1909); Rutkowski (1935), 305–34; Filipczak-Kocur (1988*b*, 1991*b*).

cultivation and by making the tax permanent and not subject to parliamentary control. The attempt to make the land tax permanent had failed during the reign of Sigismund I; a further attempt, this time by Sigismund III in 1606, led to a rebellion of the gentry. The alternative was to survey and thus reassess the Commonwealth's landed wealth, an issue which was raised from time to time at the dietines and *Sejms* held during Sigismund III's reign.

In 1627, the so-called 'Warsaw Deputation' was set up, which proposed a land survey; but this was not implemented. The Lithuanian and Ruthenian noblemen were afraid of these proposals, for if they had been carried out, the difference between the Polish and the Lithuanian *łan* would have been fully revealed, and the Lithuanians would have had to pay more in land tax. In Ruthenia a large proportion of the arable land was not included in the old assessments; additional taxes were indeed collected by the proprietors, but the revenues were pocketed for themselves rather than paid over to the Treasury. In the second half of the seventeenth century, there was once more a huge difference between the number of *łans* under cultivation and those declared for the purposes of taxation, with the consequence that the Treasury failed to collect nearly half its potential revenue from this source. In 1578, the revenue from the land tax amounted to 265,000 *złotys*, but subsequently it fell as a result of climatic disasters, wars, the dishonesty of tax-collectors and the impoverishment of taxpayers. The rate of tax adopted in 1629, providing for a revenue of 267,000 *złotys*, did not improve the yield of the taxes. Attempts were made to increase the yield by multiplying the rate of tax, starting in 1613, when it was trebled. Yet even with higher rates of tax, the land tax yielded an ever-decreasing revenue. In 1661, when the rate of 50 *złotys* per *łan* was adopted, the land tax yielded no more than some 120,000 *złotys*.

The land tax was thus inadequate to meet the revenue needs of the Treasury during the war with Sweden (1626–9), and in addition a hearth tax had to be introduced. This was a compromise between the far-reaching proposals put forward by the Warsaw Deputation in 1627 and the opposition, a compromise required by the external danger to the state posed by the Swedish invasion of Prussia. The hearth tax was a tax on houses in all towns and villages. However, since it did not take into account the financial situation of the owner, it was even more unjust than the land tax. It was particularly oppressive in densely populated regions with a relatively small area of arable land, while the land tax was a greater burden for the regions where there was more arable land in proportion to the population. The hearth tax was a new form of tax, which simplified the administrative tasks involved in its levy, but it failed to extend the social incidence of taxation. It did not apply to the nobility; it failed to tax rich townsmen sufficiently; and those without property it did not tax at all. The clergy was a

clear beneficiary. Under the land tax, while the clergy was not taxed directly, its revenue from tithes was reduced; in contrast, the hearth tax did not deprive the clergy of the full tithe and in any case the rate of tax amounted to only half a *złoty* per hearth in villages.

The hearth tax rate was fixed in 1629 and remained in force until 1661. The levy in 1629 was over 464,000 *złotys*, that is, about 74 per cent more than the land tax in the same year, but the actual yield always fell short of the projected target. Under Ladislas IV, the hearth tax tariff rather than that of the land tax was used for the apportionment between regions (voivodships) and between region and centre. The regional assemblies (dietines) decided the manner in which the tax was to be raised, and they usually chose the land tax. The conversion of land tax rates into hearth tax rates brought chaos into the Polish fiscal system, because land tax rates were traditionally lower than hearth tax rates. Significant tax arrears became the norm for the voivodship treasuries. By the mid-seventeenth century there was a return to land tax rates, since the method of apportionment by hearth tax had proved ineffective. The rate of the hearth tax was revised downwards, to some 300,000 *złotys*, about 65 per cent of the level in 1629, and the actual amount levied was even lower. In view of the excessive burden imposed on the population by the two direct taxes, the land tax and the hearth tax, attempts were made to find a solution by levying taxes on consumption and a general poll tax.

The poll tax was an attempt to conform to the modern principle of general taxation. In the Polish conditions it was a departure from the privileges of the noble estate, because at first the nobility agreed to impose the poll tax on themselves. The poll tax was introduced for the first time in 1498, in view of the danger of a Turkish–Tatar invasion. It was levied on a second occasion in 1520 to meet the costs of war against the Teutonic Knights and the threat of a Tatar invasion. The poll tax was based on class: 189 tax groups were distinguished and the rate of tax depended on occupation, income and the office held. In the view of the nobility, the poll tax was an insult to their freedom and dignity: this was why the tax was greeted with general opposition when it was adopted on a third occasion in 1590; the act had to be revoked and the instructions for its collection were destroyed. A fourth poll tax was imposed in 1662, when it was called a voluntary offering (*subsidium charitativum*). Later in the seventeenth century, it was levied again in 1673, 1674, 1676–8 and 1683. Compared with the land tax and hearth tax, it was an efficient tax, paid by all the inhabitants of the country with the exception of children up to the age of ten. In 1662, the revenue from the poll tax in Poland amounted to about 2.75 million *złotys*, while that from the hearth tax in the previous year was only 292,000 *złotys*.

The year 1662 was the high point of the levy of the poll tax, and the yield fell

on subsequent occasions: though the same rate was used, the yield in 1673 amounted to 75 per cent of that in 1662, in 1674 to 63 per cent and in 1676 to 49 per cent. Given the nobility's notion of 'freedom' in the seventeenth century, this was still a significant levy which gave the nobleman the same tax status as the non-noble. The continuation of the poll tax had to receive the free consent of the nobility in the *Sejm*. Had the poll tax been adopted on a permanent basis in the seventeenth century, it might have brought about significant changes to the fiscal system. Whereas it was difficult to reform either the land or the hearth tax, the poll tax might have evolved towards a more differentiated form of levy. Moreover, the same rates applied to Poland and Lithuania, and the particularism of the voivodships was undermined. Had these trends been confirmed, the resulting unification of the tax system might have been of great fiscal, economic and even political importance. However, when the poll tax fell under the direct control of the dietines in the later seventeenth century, they refused to revise the tariffs and the tax became an adjunct to the property taxes. In time the number of heads taxed under the poll tax became a fiction, and in effect the tax was transformed from a personal tax into a repartition tax. In 1717, the poll tax became permanent, but the levy was based on the tariff fixed forty years earlier. This tax was continued until 1775, with its proceeds reserved exclusively for the maintenance of the army.

The so-called 'winter bread' (*hiberna*), equivalent to the winter quarter in other states such as France, was another direct tax which had gained importance by the mid-seventeenth century: this payment arose from the obligation of billeting and feeding soldiers on the royal and ecclesiastical estates during winter. In 1649–52, contributions paid in kind were commuted into a money payment. Coming on top of the *kwarta*, this was yet another form of state revenue exacted from the leaseholders of the domain, per *łan* on the royal estates and as a repartition tax on the ecclesiastical estates. Earlier, when the *hiberna* had been paid in kind, the army had assessed and levied it without any restrictions: this had resulted in abuses and had led to political opposition in the *Sejm*. A special commission was set up to assess the tax, but the tasks of administration and collection were left to the army. The fact that the tax was excluded from the total revenue of the Treasury had important consequences. When the contribution in kind was commuted into a money payment, the yield of the *hiberna* became the nucleus of a separate military treasury. This was part of the process of establishing a separate revenue for the army, indeed the creation of a separate military treasury which was achieved in 1717. The yield from the *hiberna* was high compared with that of the other taxes: in 1672, it amounted to 1.2 million *złotys*, about 20 *złotys* per *łan*. At first, the tax was in effect a form of permanent land tax, but during the reign of Augustus II (1697–1733), the *hiberna* became a

repartition tax. The rate fixed in 1685 remained in force until 1755 and the distribution of the tax among the individual voivodships remained unchanged. Though the amount of tax demanded might change from time to time, the manner in which the tax was distributed remained the same.

All these direct taxes were based on external estimates such as acreage, houses, the number of cattle or (in the case of the poll tax) the number of persons. The Polish tax system was thus relatively primitive. It did not require a large administration to make it work, but without such an administration no effective system, let alone a 'modern' fiscal system, could be created. The principle of repartition was highly inefficient: there were too few administrators to repartition the taxes equitably. Entrusting landowners and proprietors with repartitioning the tax among their subjects was no substitute, since this led to an arbitrary fiscal regime. The predominance of direct taxes in the Polish fiscal system continued into the second half of the seventeenth century. The main tax burden was on the agrarian population; cities were taxed less heavily, and the nobility remained exempt most of the time.

One of the most important indirect taxes, which was introduced in the second half of the fifteenth century, was the *czopowe* (*datio vasorum* or *ducilla* in Latin), a tax on the production and sale of beer, mead, vodka and wine from which the gentry and clergy were exempt if their production was for their own use and not for sale. Before 1629, the rate of tax depended on the nature of the liquor sold, but after this date the rate of tax depended on the sale price. During the reign of Ladislas IV, under pressure from the dietines, the *ducilla* was recognized as a voivodship tax. This decision obtained legal sanction in 1658: the proceeds of the tax could not be transferred to the Treasury without specific authorization by the *Sejm*. The appropriation of the proceeds of this tax by the voivodships deprived the Treasury of a large revenue. In the second half of the seventeenth century, fruitless attempts were made to turn the *ducilla* into a permanent tax. When this turned out to be impossible because of the opposition of the dietines, attempts were made to impose a tax on the sale of alcohol under a different name and therefore not subject to the restrictions on the *ducilla*, but this tax was levied for only a few years. During the reign of Stefan Bátory, the yield from the *czopowe* amounted to about 200,000 *złotys*, equalling that from the land tax. After the reform of 1629, the projected yield was set at 568,000 *złotys* on the base of a new tariff, twice the level of the land tax. The dietines were entrusted with taxing drink produced at home, as well as some of the foreign imports, but their administration was inefficient.

An excise, that is, a general tax on domestic and foreign products, was introduced on three occasions in 1657, 1659 and 1673, each time lasting for only a few years. In order to protect the poor, goods of up to 5 *groszes* in value were exempt

from tax, while in addition sales affecting the nobility were exempt. Revenues from the excise, in so far as these may be estimated from the extant documents, were not much above 650,000 *złotys*. The excise was justified from the point of view of fiscal justice, but it did not become a permanent tax because of the opposition of the *Sejm* and the dietines. The first attempts to set up a monopoly in Poland were also made in the second half of the seventeenth century. A monopoly on the sale of snuff, a consumption tax leased to a private person, was established in 1650 but expired after a couple of years. A comparable monopoly of the sale of paper was established in 1677, but again proved short-lived. These early attempts at establishing monopolies were not linked with production. It was only by the second half of the eighteenth century that there was a flourishing development of monopolies.

In the period under review, customs duties were imposed to secure revenue to the Treasury and did not serve as an instrument of the state's economic policy. There was no Mercantilist thought underlying the administration of the Polish customs system. Exemption from customs duties was granted to the nobility in 1496 and to the clergy in 1504. The exemption applied both to the goods produced by these two estates and goods imported for their own use. In 1538 this exemption was extended to include their peasants as well, which resulted in producers paying no customs duties. Since the duties on exports were higher than those on imports, foreign merchants gained an increasing control of Poland's external trade. Ladislas IV failed to exact customs duties from the Baltic ports, especially Danzig. During the six years (1629–35) after the Truce of Altmark, the Swedes collected some 11 million *złotys* from these duties, a sum many times higher than the revenue of the Polish Treasury. Ladislas IV's plans for reforming the administration of the customs duties were thwarted by the nobility, which feared that an improvement in the financial position of the crown would strengthen royal power and might lead to the establishment of absolutism. As a result of the exemption of the nobility from customs duties, the Treasury was deprived of the possibility of having a large revenue from the export of grain and cattle and from the import of luxury goods used by the nobility.

Customs duties were, in effect, a tax on the turnover of goods, levied on merchants when a product passed through the customs. In consequence, they had an impact on prices and adversely affected the purchaser of goods. The greatest reliance on customs duties was in the years 1690–1717, by which time there were five different kinds of customs duties. The duties were levied at 8 per cent on imports and 10 per cent on exports for Polish merchants and 10 and 12 per cent respectively for foreign merchants. The duty was 2 per cent for internal trade. Under Stefan Bátory, the yield was 500,000 *złotys* per

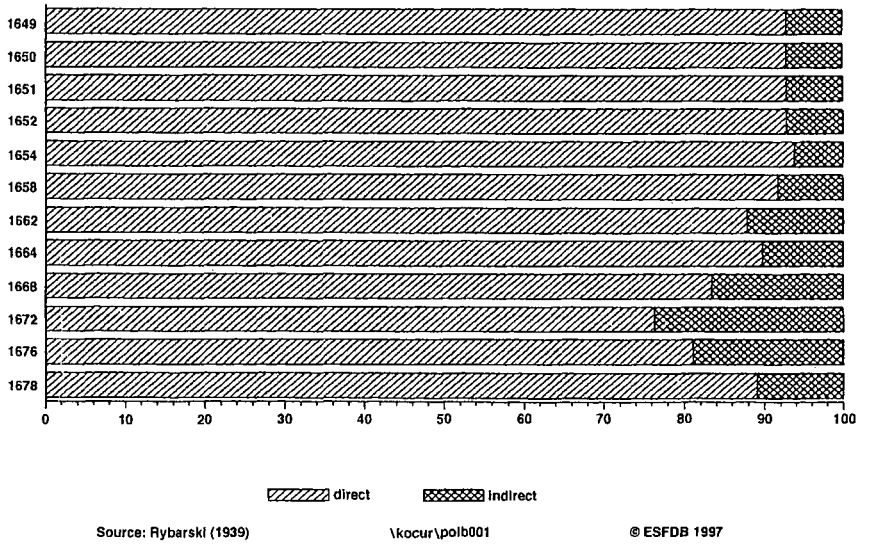

FIG. 14.5 Revenue from direct and indirect taxation as a percentage of total Polish tax revenue, 1649–78

annum; under Sigismund III the figure was about 70,000 *złotys*, and under Ladislas IV about 150,000 *złotys*. The real value of income arising from customs duties did not increase in the second half of the seventeenth century, because of the fall in the purchasing power of the currency, although in the last decade or so of the seventeenth century and at the beginning of the eighteenth century it amounted to about 350,000 *złotys* per annum. In addition to the customs duties paid by merchants, a general customs duty on imported and exported goods and on items of domestic consumption was imposed on three occasions (in 1661, 1673 and 1677). This duty had to be paid by the gentry, and in this respect it had certain features of a modern universal tax. The yield was twice that of the earlier customs duties; but, crucially, the attempt to establish the general customs duty as a permanent revenue of the state failed.

Direct taxes were more important in the Polish system than indirect ones year on year, and not only in the second half of the seventeenth century as depicted in Figure 14.5.[27] No exact calculations can be made for other years because of the paucity of sources and the way in which the accounts were drawn up.

[27] ESFDB \kocur\polb001 based on \poldo01.

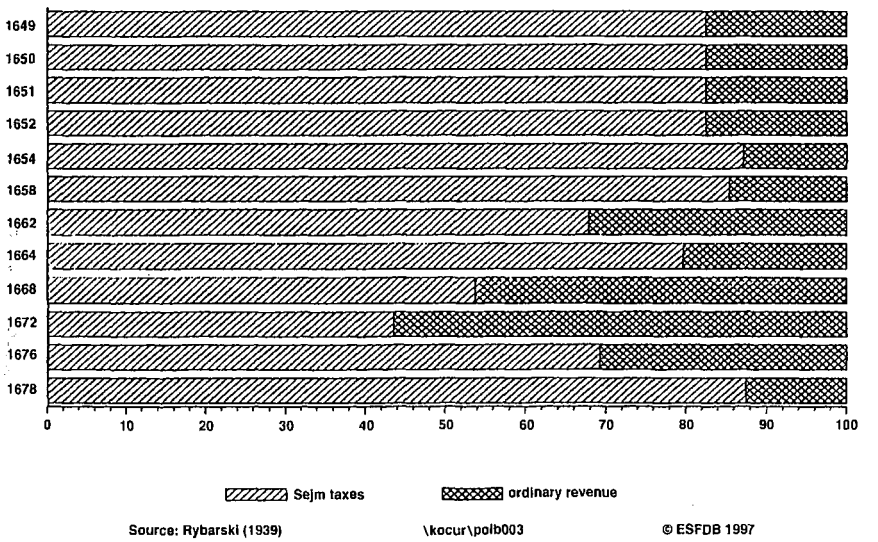

FIG. 14.6 Revenue from the *Sejm* taxes and ordinary revenue as percentages of total Polish tax revenue, 1649–78

Frequently the revenues from the land tax and the alcoholic beverage tax, that is, a direct and an indirect tax, were joined together. Indirect taxation was neglected in Poland, which can only partly be explained by the economic structure of the country and the relative insignificance of internal trade. The opportunities offered by international trade were insufficiently exploited. A serious deficiency of the Polish fiscal system was the preponderance of contributions which depended on Parliamentary acts. Until the adoption of the *kwarta* in the sixteenth century, the Treasury did not have a permanent revenue for state purposes. During the reign of Sigismund III, customs duties began to be regarded as a permanent revenue, though they required Parliamentary approval. In the 1540s, the Jewish poll tax became an ordinary source of revenue. In 1632 the proceeds from the mints, and in 1678 merchants' donations, also became permanent sources of revenue. Except for the year 1672, *Sejm* taxes made up over 50 per cent of total revenue (Figure 14.6).[28] Extraordinary revenues were unusual in the Polish fiscal system and were of little importance.[29]

[28] ESFDB \kocur\polboo3 based on \poldoo2.

[29] These might include cash donations, Papal subsidies, proceeds from ennoblements and extraordinary mints, from the pawning of royal jewels and royal landed estates and ecclesiastical charitable subsidies.

IV

Until the union of 1569, the Grand Duchy of Lithuania had a separate fiscal system based on the medieval system of contributions (*hospodar*).[30] The commutation of contributions in kind into cash payments was very slow. The Lithuanian Treasury received revenue from landed estates, customs duties, tolls, and from a tax on cereal products and alcoholic beverages. The State Treasury in Lithuania, like its counterpart in Poland, drew its revenue from taxes which were temporary in nature. But unlike Poland, Lithuania did not have a permanent source of revenue (there was no equivalent to the Polish *kwarta* until 1632), and consequently it did not have a permanent Treasury. Without such a levy, Lithuania could not contribute towards the costs of defending the eastern borderlands. During periods of exceptional financial pressure, the Lithuanian leaseholders agreed, though reluctantly, to pay a tax corresponding to the Polish *kwarta* but which they called a *donativum* to stress its voluntary character. All decisions on this matter were taken by the *Sejm*. Until 1632, the Lithuanian leaseholders had paid seven *donativa*, each amounting to about 70,000 *złotys*. The *kwarta* was introduced as a regular tax in Lithuania only in 1632, but even then there was a significant difference between adopting the law and its full implementation. The *kwarta* would have diminished the income of leaseholders who, unlike their counterparts in Poland, gave the monarch the 'three parts' due to him. The opposition of members of Parliament in 1633 was such that no proper inspection was carried out. Under Ladislas IV, the proceeds from the *kwarta* were symbolic, amounting to no more than several thousand *złotys*; the situation remained essentially the same in the second half of the seventeenth century. The surviving evidence does not permit a precise estimate of the yield of the Lithuanian *kwarta*, but it remained at a low level.

The land tax was the basic direct tax in Lithuania. A single land tax, which was the norm until 1613, brought in 100,000 *złotys*. After this date, more than one land tax might be levied at the same time. The hearth tax was introduced in Lithuania by the *Sejm* of 1649, with only minor modifications of the Polish system. We know the number of houses subject to taxation in 1667 and 1690. Between these two dates, that is, during the reigns of Michał Korybut (1667–73) and John III Sobieski (1674–96), there was a fall of about 40 per cent in the number of hearths subject to taxation. This was a consequence of the destruction and abandonment of houses and also abuses in registration. If the revenue yield was to be maintained, the rate of tax had to be increased. The vicissitudes of the hearth tax were of great importance for the Lithuanian Treasury since it was the most

[30] Łowmiański (1983); Bardach (1970); Wisner (1973, 1982); Rybarski (1939); Filipczak-Kocur (1988*a*, 1990); Nycz (1938).

typical source of revenue in the former Grand Duchy. Its decline had an adverse effect on the finances of the whole of the Commonwealth, and illustrated the decline in the taxable capacity of the population. When the poll tax was introduced in Poland, Lithuania was paying a relatively heavy hearth tax. It was only in 1676 that the poll tax was adopted in Lithuania, but this tax did not produce a high yield because of a lack of compliance among taxpayers and tax-collectors. In 1676, the Lithuanian poll tax yielded about 800,000 *złotys*, that is, equivalent to 60 per cent of the yield in Poland that year. The *hiberna* was also levied in Lithuania, but on the basis of a levy per house rather than per *łan* as in Poland. This tax was heavier in Lithuania than in Poland, and represented an average of 13 or 14 *złotys* per hearth. As in Poland, it was transformed into a repartition tax.

Among the indirect taxes, the tax on the production and sale of beer, mead, vodka and wine (*czopowe*) was levied in Lithuania on the same principles as in Poland at least until 1629, but Lithuania did not follow the Polish reforms of the tax in that year. In accordance with the decisions of the *Sejm*, the tax went straight into the Treasury. There were no disputes over whether it was to be a voivodship tax or at the disposal of the treasurer. Until the mid-seventeenth century the yield of the alcoholic drinks tax amounted to 42,000 *złotys* per annum. According to data from 1678, it had increased to over 134,000 *złotys*. Attempts were made to raise an additional tax on the sale of alcoholic drinks in order to eliminate the land and hearth taxes. This new tax, together with the *czopowe*, yielded 300,000 *złotys* per annum. This was a considerable sum, but far lower than the yield from direct taxes. The excise was adopted for the first time in 1658, but it was levied for a period of only three years since it encountered resistance at the Lithuanian dietines. It was less significant even than in Poland.

The relative balance between the different categories of Polish and Lithuanian projected revenues is shown in Figure 14.7.[31] In years when direct taxes were levied, the yield in both countries was higher than that of indirect taxes; indirect taxes on the other hand provided a more regular source of income but at a lower level.[32] The balance of revenues in Poland was very similar to that in Lithuania, although attempts at fiscal reform sometimes brought improvements: the income derived from excise duty increased by 135 per cent after reforms were introduced in 1628. Also in Poland, a new hearth tax, the *podymne*,

[31] ESFDB \kocur\polb002 based on \poldo07.

[32] According to figures for the levy, direct taxes provided the Treasury with 42.1 per cent of its total income in Lithuania, while the remaining 57.9 per cent was derived from indirect taxation. The comparable figures for Poland (1587–1629) were 41 per cent (direct taxes) and 59 per cent (indirect taxes), and for years (1629–48), the comparable figures were 40 per cent (direct taxes) and 60 per cent (indirect taxes). (The poll tax levied on the Tatars has been discounted, since the income derived from it was insignificant—less than 1 per cent of total revenue.) However, these figures should be viewed with caution, since the actual yield of taxes varied from those for the projected levy, there being numerous additions, or multipliers, to the direct taxes but not to the indirect ones. [Ed.]

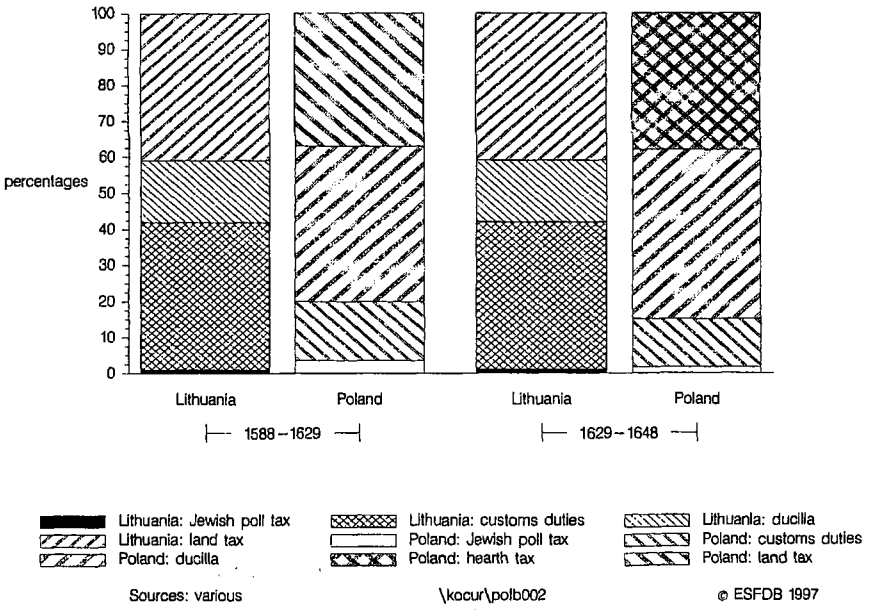

FIG. 14.7 Categories of revenue of the Lithuanian and Polish Treasuries, 1588–1629 and 1629–48

yielded 74 per cent more to the Treasury than the land tax it replaced.[33] In general, the balance between direct and indirect taxes in the overall income of the Polish and Lithuanian Treasuries did not change significantly over time. For Lithuania, data on the taxes in Sigismund III's reign are incomplete and unclear. It is not known, for example, what categories of income were affected by arrears (*zaleglosci*). After 1613 the rates of direct taxes increased; but in the years when there was no grant of land tax (*łanowe*), as in 1638 and 1647, indirect taxes predominated (Figure 14.8).[34]

This analysis poses the question of the relationship between the revenue system in Poland and Lithuania and the tax base in the two countries. The clergy paid not only an income tax but also a sporadic extraordinary money contribution called *subsidium charitativum*.[35] In the period under review they made thirty-one contributions of 100,000 *złotys* each. However, this bore no relation to the very high incomes enjoyed by clergy, although the subjects of ecclesiastical estates carried the same burden as the population of the estates of the gentry and the king. In Poland, the brunt of taxation was borne by the population deriving its livelihood from agriculture. A greater burden was carried by the countryside

[33] Filipczak-Kocur (1988*a*).
[34] ESFDB \kocur\polboo4 based on \poldoo8.
[35] Karbownik (1980, 1984).

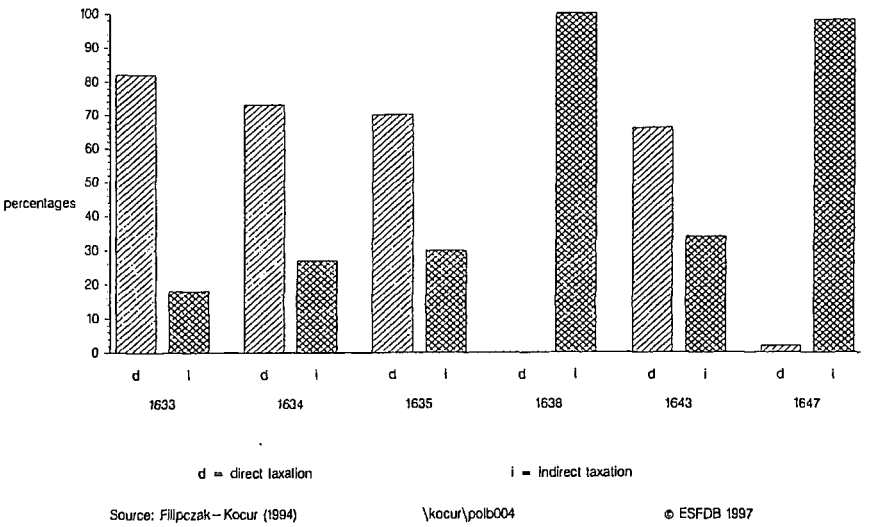

FIG. 14.8 Direct and indirect taxation as percentages of the total revenue of the Lithuanian Treasury, 1633–47

rather than the towns. This corresponded to Poland's social and economic structure, since only 20 per cent of Poland's population lived in the towns. According to Wycsański, in the years 1560–70 a nobleman received a profit of 35–55 *złotys* annually from one *łan* of manorial land, while the net profit from a 1-*łan* peasant farm was as high as 20–30 *złotys*. The peasants' contributions to the state were the lightest, while the contributions exacted by the manor and the Church were much heavier, amounting to 4–5 *złotys* per *łan*. A form of fiscal protection of the peasants was evident in the sixteenth century: when the tax rate was increased to 30 *groszes* in 1578, the peasant's taxes remained the same. In view of the rise in the prices of agricultural products, the increase in the rate of taxation from 12 *groszes* at the beginning of the sixteenth century to 15 *groszes* by the end, meant in reality a three- or fourfold reduction in real terms of the peasant's tax burden.

Peasant prosperity continued until the 1570s, although labour services were increased, coinciding with a rise in the export of Polish grain through Danzig. A temporary break in the upward movement of grain prices occurred after 1580; the boom in agricultural products ended in about 1605, and the century-long period of rising prices, especially of farm products, came to an end in about 1620. A period of stagnation and a slight slump in prices (calculated in gold and silver) started. The export of Polish grain, which reached its apogee in the first half of the seventeenth century, was favourable to the development of large landed

estates situated near the Vistula, but it did not lead to a proportionate growth in the entire economy. It cannot therefore be used as an indicator of the country's economic development.

Historians vary on the precise date when the countryside began to be affected by economic stagnation or recession, whether it was at the turn of the century or only in the 1620s, the decade in which the period of the greatest world boom yet seen was followed by a sudden collapse. The recession clearly affected peasant prosperity, hindered the capacity of taxpayers to pay their taxes and led increasingly to their falling into arrears. Indirectly even the gentry were affected by taxation, since it limited the income they derived from serf labour; in order to reduce production costs, the gentry increased the peasants' labour services. The structure of prices was unfavourable to agriculture, and it is worth recalling that the agricultural sector represented perhaps 80 per cent of the national income. The development of manorial estates sometimes resulted in a reduction in the size of peasant farms; agricultural production was less prosperous and the yields of cereals decreased. It cannot be stated unequivocally that these processes were the cause of the economic crisis in the mid-seventeenth century, but it is beyond doubt that a setback, if not actual economic decline, occurred in the most important field, the agricultural economy. In the 1660s, the prices of most of the staple agricultural products began to fall, a trend which lasted until the mid-eighteenth century. Price depression also affected the demand for urban products and led to a fall in consumption. After the wars, manorial estates recovered more quickly than peasant farms; large landed estates fared better than medium-sized ones. The concentration of landed property around large estates had an adverse effect on peasant prosperity and was an underlying cause of the collapse of the tax system at the end of the seventeenth century.

In the sixteenth century, Polish trade and small-scale manufacturing had prospered, but were not adequately developed for a real development of industrial production or for the growth of capitalism. Towns situated on the main trade and water routes might experience prosperity, but those deep in the hinterland fared less well. In any case, the non-agricultural sector accounted for only a small proportion of the total economy, and it was impossible to secure significant tax revenues from such sources. The Jewish poll tax[36] and the merchants' donations, two taxes levied on the non-agricultural population, raised relatively small amounts of revenue. Moreover, the towns were burdened with defence duties, such as raising infantry, transport for the army, food supplies and weapons—obligations which were often commuted into cash payments. During the period of acute crisis for the Commonwealth after 1648, townsmen were

[36] Horn (1978).

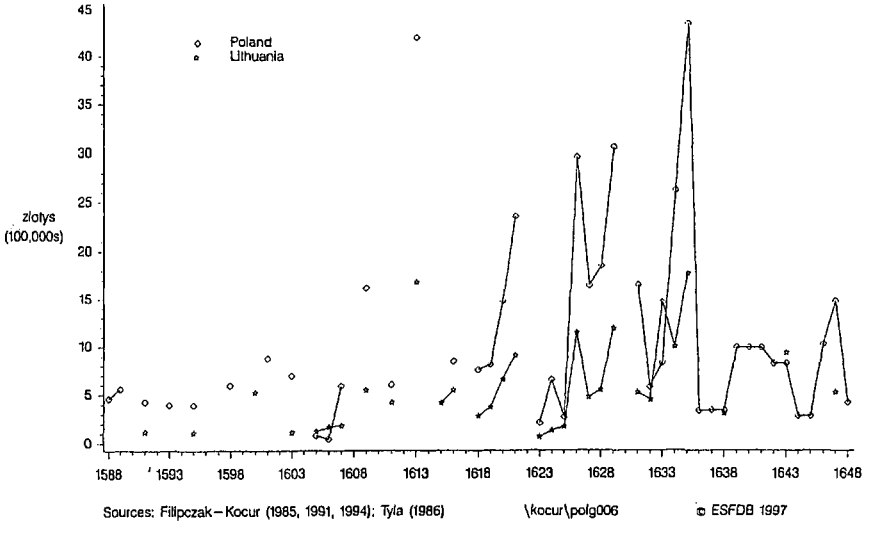

FIG. 14.9 Revenue to the Polish and Lithuanian Treasuries from the *Sejm* contributions, 1588–1648 (in *złotys*)

often enlisted for military service. Compared with other countries, the economic decline of Poland is very evident.[37] The balance of payments deteriorated. The fall in the prices of agricultural products and in exports caused a growing depression in agriculture, compared with the first half of the seventeenth century. Mercantilist ideas, which were applied by many of the west European countries, were alien to Polish economic thought. Instead, the country had no active economic policy: industrial production and trade were neglected, which meant that there was inadequate development of the fiscal base and a relatively restricted range of sources of revenue for the Treasury.

Figures 14.9 and 14.10 show the level of income derived from taxes passed in particular years but received over what was often a longer accounting period (that is, before the next session of the *Sejm*): the figures are in *złotys* and ducats respectively.[38] Taxes were levied in order to finance specific political aims, which were specified in the legislation passed by the *Sejm*. As a result of this process, it

[37] Topolski (1986); Mączak (1987); Wyczański (1991).

[38] ESFDB \kocur\polg006 based on \poldo09; ESFDB \kocur\polg007 based on \poldo10. For convenience, Figs. 14.9 and 14.10 assume that the tax year and the calendar year were the same, and that income was received in the year in which fiscal legislation was passed in the *Sejm*. In reality, none of this was true. There was no equivalence of the tax to the calendar year: the accounting period ran from one session of the *Sejm* to the next, and these were held at irregular intervals. Sometimes sessions were held twice a year; sometimes there were intervals of two years between sessions.

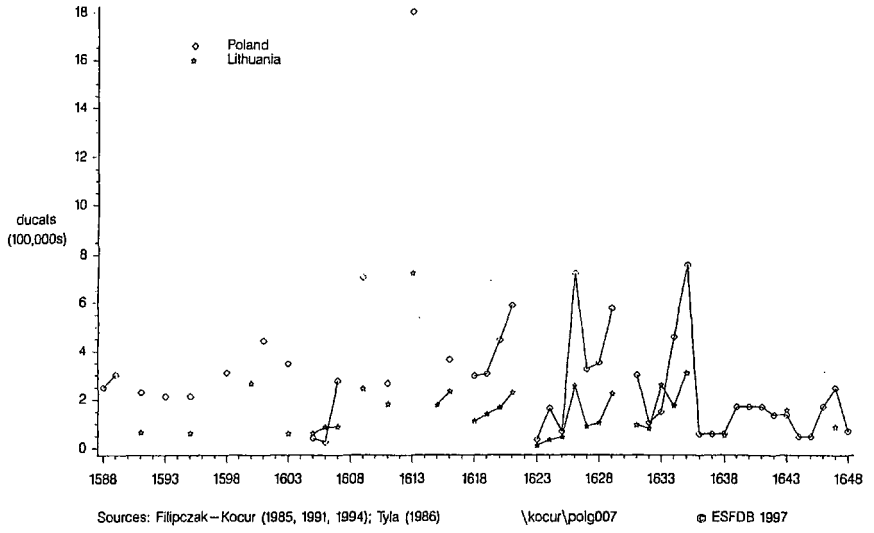

FIG. 14.10 Revenue to the Polish and Lithuanian Treasuries from the *Sejm* contributions, 1588–1648 (in ducats)

is possible to analyse in greater detail the reigns of Sigismund III and Ladislas IV, and in particular to ascertain the balance of expenditure between Poland and Lithuania. The sixty-year period of the first two kings of the Vasa dynasty (1587–1648) was of decisive importance for the development of the fiscal system of the Commonwealth.

For the first twelve years of Sigismund III's reign (1587–99), Lithuanian tax bills were intended to finance two main areas of expenditure: the costs of the Royal Treasury (that is, the court expenses) and the protection of the country's border from Tatar–Turkish and Cossack invasion. Six tax bills were approved but only three of them were carried into effect, sometimes with delays of up to three years. Taxes were resisted by the Lithuanians mainly as a consequence of the internal policies of Sigismund III: Lithuanians disapproved of the nomination of Bernard Maciejowski, a native Pole, as bishop of Wilno (Vilna). They also demanded clarification of the status of Livonia, which was not achieved until 1598.[39] Lithuanian resistance to taxation was thus often caused by issues which were remote from fiscal policy itself, and was in essence a demonstration of Lithuanian autonomy and an attempt to reassert its sovereignty. Yet it is also the case that the borders of the Grand Duchy of Lithuania were less often threatened than those of Poland. The Lithuanian Treasury may have had around

[39] *Volumina legum*, ed. Ohryzko (1859), ii, 377–8.

400,000 *złotys* at its disposal: of this, about 65,000 *złotys* were spent on the army, while the figure of 100,000 *złotys* was paid as a gift to the king in order to finance his invasion of Sweden in 1594–5.

With the deposition of Sigismund III as king of Sweden in 1599, the union of the two crowns was severed and a long military conflict between Poland and Sweden ensued. The first and most important stage of this conflict lasted until 1611 when Sweden, occupied with its war against Denmark, agreed to a truce which was to last until 1618. During the war against Sweden (1600–11), six tax bills were passed in Lithuania, and the tax revenue was used for the defence of Livonia. Army pay had to be increased as a result of the decline in the value of the Polish silver *grosz* (by the time of the truce the value of the Polish *złoty* against the ducat had fallen by one-third). Expenditure continued to outstrip the increase in Treasury income: the army was paid irregularly, and mutinous military groups ('confederations' or *rokosz*) formed as a result. These armed bands collected arrears of pay by force, inflicting destruction on the domain in the process. The great financial effort of the two Commonwealth Treasuries was still inadequate to ensure Polish military supremacy in Livonia. The Lithuanian Treasury spent 6.4 million *złotys* as against 2.7 million contributed by Poland (equivalent to 60 per cent of the overall income of the Polish Treasury in the period). The last stage of the war in Livonia was influenced by the outbreak of the Muscovite War in 1609: Sigismund III was less interested in Livonia than Muscovy, and after 1609 there were only limited contributions by the Polish Treasury towards military expenditure for the defence of Livonia.

The Muscovite War (1609–19) added a second military commitment to the Polish–Lithuanian Commonwealth. Taxes, especially on the rural population, were drastically increased: in 1613, two sessions of the *Sejm* passed a ninefold increase in the land tax (*łanowe*), the heaviest tax burden yet carried by the Commonwealth in a single year. The crisis was made more acute by the pressure of military 'confederations'. After campaigns in Muscovite territory, these armed bands occupied royal estates in both Lithuania and Poland: in particular, such mutinies cost the Lithuanian Treasury almost as much as the earlier defence of Livonia. Until the Truce of Deulino ended the war with Moscow (1618), Lithuania was a reluctant contributor of funds for the Muscovite War, which proved to be the most expensive war fought by the Commonwealth until that date: it cost Poland 7.2 million *złotys* and Lithuania 2.2 million.

The defeat of the Polish army by the Ottoman Turks at the battle near Cecora in 1620 caused the next round of military expenditure and tax increases in Poland and Lithuania. Two consecutive sessions of the *Sejm* passed tax bills to finance the defence of the Commonwealth, but the lion's share of the expenses was covered by the Polish Treasury: Poland spent 4.5 times more than Lithuania (4

million as against 0.8 million *złotys* on the war against Turkey in 1620–1). The second *Sejm* in 1621 coincided with the siege and capture of Riga by the army of Gustavus Adolphus of Sweden. This increased the potential threat to Lithuania from a Swedish invasion of Livonia. Increases in expenditure to meet the threat to Livonia created inflationary pressures within the Commonwealth, leading to a rapid appreciation in the value of the gold ducat (a rise from 80 *groszes* in 1619 to 180 *groszes* in 1623) and an equally rapid collapse in the value of small silver coins. The Lithuanian taxpayers seem to have been exhausted by the fiscal pressure in the early 1620s, and there was a fall in tax yields until 1625. Yet with Gustavus Adolphus's invasion of Prussia in 1626, the security threat once more became uppermost, and there were further peaks in revenue in 1626 and then again in 1629, when the Truce of Altmark ended Polish–Lithuanian control of Livonia. The defence of Livonia was more of a burden to the Lithuanians than to Poland, while the wars with Muscovy and Turkey drained much more from the Polish Treasury than from Lithuania. In one sense, the money spent on Livonia was wasted since it was insufficient to retain this province within the Commonwealth. The expenditure on the Muscovite War brought about the capture of Smolensk in 1611, and eventually re-established peace on the Commonwealth's eastern borders, but only until the end of Sigismund III's reign in 1632. The expedition launched against the Turks halted Ottoman expansion for several decades, although the problem of Tatar attacks still remained.

Hostilities were reopened with Muscovy in the Smolensk War (1632–4): two *Sejms* passed tax bills intended to finance this military venture. The Polish Treasury paid out 4.3 million *złotys* while Lithuania contributed 2.15 million, almost the same as its entire expenditure during the first Muscovite War (1609–19) and the highest level of Lithuanian expenditure during the reign of Ladislas IV. The king was nevertheless forced to abandon his claim to the Muscovite Tsardom, although the Peace of Polianovka (June 1634) marked the furthest territorial extent of the Polish–Lithuanian Commonwealth eastwards. The following year the Truce of Altmark signed with Sweden in 1629 was due to expire: it had provided for the Prussian ports to remain in Swedish hands for the duration of the truce, with the exception of Puck, Danzig and Królewiec; but in addition, Sweden was entitled to receive a part of the income derived from Danzig's port and customs duties. Ladislas IV sought to reverse the outcome of the Truce of Altmark and prepared for war against Sweden in order to recover the Baltic ports and the Swedish crown lost by his father. In the event, the planned military confrontation did not materialize, since it was opposed by the Polish nobility. Nevertheless, following the collapse of its military power in Germany, Sweden agreed to the Truce of Stuhmdorf, which extended the truce

for a further twenty-six years until 1661. Poland regained control of the Baltic ports, but Ladislas IV had to postpone his ambitions to regain the Swedish crown. (In the end the claim itself was abandoned by John Casimir as the price of a permanent peace in 1660.)

The costs of demobilization in 1635 were not insignificant: it was necessary to pay soldiers' wages for half a year of service (Lithuania spent about 800,000 *złotys* on this, while Poland's expenditure amounted to about 2.2 million). After the costs of the Smolensk War, this was the second largest expenditure of the Lithuanian Treasury during the reign of the second Vasa king of Poland and it proved to be the last significant expenditure for Lithuania before 1648. Lithuania limited its assistance to Poland for the suppression of the Cossack rising of 1637–8 to about 200,000 *złotys*; the cost to Poland was almost 2 million. In 1643, Lithuania donated around 300,000 *złotys* to the king to help him pay off his debts. The annual Lithuanian expenditure on defence costs was by this date about 180,000 *złotys*, while the annual expenditure of the Polish Treasury on border protection (mainly in the south-east) was approximately 700,000 *złotys*. In neither case was this expenditure sufficient for a modern state or commensurate with the size and importance of the Polish–Lithuanian Commonwealth. There was a close relationship between revenues and military expenditure, since 90 per cent of the total income of the Treasuries of Poland and Lithuania was spent on military purposes. The collapse during the interregnum of 1648 and the Cossack rising, and the very difficult period of recovery during the 1650s were inevitable consequences.

The fiscal balance between Poland and Lithuania remained relatively stable over the long term. In 1578, the revenue of Lithuania amounted to about 20 per cent of that of Poland. According to calculations during the reign of Sigismund III, the value of a single tax measure in Lithuania before 1629 was estimated at about 44 per cent of the value of equivalent legislation in Poland; after 1629 it was equivalent to only 24 per cent. During the reign of Sigismund III as a whole (1587–1632), the balance was about 2.5 : 1 between the income of the Polish and Lithuanian Treasuries, 30.1 million *złotys* (or almost 9.8 million ducats) and 12.2 million *złotys* (or almost 4 million ducats) respectively. During the reign of Ladislas IV (1632–48), the balance was broadly similar, the ratio between Poland and Lithuania increasing to 2.8 : 1, 14.6 million *złotys* (or nearly 2.7 million ducats) and 5.2 million *złotys* (or just over a million ducats) respectively. The verdict on the Union of Lublin of 1569 in the long term was that between 1588 and 1648 the income of the Lithuanian Treasury was two and a half times lower than that of the Polish Treasury. In some decades (notably 1608–17, 1618–27 and 1628–37), there was indeed increased fiscal pressure in Lithuania. However, a rise in income expressed in the silver *grosz* was not translated into a proportionate

growth of income expressed in gold coin, the ducat. The purchasing power of the *złoty* fell in this period, while the price of the ducat expressed in silver *grosz* rose from 56 *groszes* in 1588 to 180 *groszes* in 1648. During the reign of Ladislas IV, the Lithuanian fiscal system stagnated, since it became increasingly difficult for the king to secure the approval of new taxes by the Lithuanian representatives. Permanent taxation had been introduced in neither Poland nor Lithuania. According to Rybarski's calculations for the years 1672–8, the revenue of the Lithuanian Treasury amounted to about 20 per cent of that of Poland.

V

In the period under review, the Polish fiscal system passed from a relatively early quasi-centralization under the last king of the Piast dynasty in the fourteenth century to a quasi-decentralization at the end of the sixteenth century, the second process lasting for almost two centuries. This quasi-decentralization would not in itself have become a grave defect in the Polish fiscal system, had an alternative power structure developed, perhaps an efficient local administration backed up by an effective judicature. But this was not the case. The fiscal administration in the Commonwealth was an adjunct of the existing fiscal system: just as taxes were sporadic, the form of administration was cheap, intermittent, relatively primitive and underdeveloped. All this ensured relative impunity to leaseholders and tax-collectors. The leasing of indirect taxes created an opportunity for abuses and for the embezzlement of state income. Legal proceedings were long and often ineffective. Most of the fiscal officials were elected by the dietines and lacked authority. By the mid-seventeenth century in practice, though not by law, the fiscal powers of the *Sejm* were restricted and it became the norm to leave decisions on taxes to the dietines. The revenue from some taxes was retained in the voivodships, and the dietines established their own revenue boards and fiscal courts for this purpose, which were independent of the Treasurer. Gradually, the Treasurer lost control over revenue and expenditure for military purposes. Until the year 1681 the fiscal accounts included taxes paid for the army. In the years 1681–90 such central accounts were no longer kept since the taxes for the army were collected in the separate voivodships, and this practice continued after the reforms of 1717. The development of fiscal administration in Poland–Lithuania was thus quite different from that of the west European monarchies.

Polish fiscal policy was at its most successful under the last two kings of the Jagiellon dynasty (1506–72). Its durable achievements were the establishment of a permanent *kwarta* purse and the resumption of domain estates which were of considerable economic potential. The traditional way of financing defence was

changed under the last two Jagiellon kings and all sections of society were required to make contributions to the state. However, these advantages were not exploited by the elective monarchs after 1572. The tax system established by the Jagiellons operated without significant modification until the second half of the seventeenth century. The same taxes remained in force and the ratio of indirect to direct taxes remained broadly similar. The assessment of the land tax was not improved. Though a new tax, the hearth tax, was introduced in 1629, the principles of its assessment and repartition were primitive. The reorganization of the indirect tax on alcoholic drinks, started under Stefan Bátory, proved to be successful. New criteria for levying the tax according to the sale price would have made it possible to increase the tax yield. These, and other reforming ideas were advanced during the reign of Sigismund III.[40] The king himself stubbornly but discreetly promoted the idea of regular taxes and the establishment of a permanent Treasury, independent of the *kwarta* purse. Attempts were made to change the system of customs duties by levying duties on the gentry's commercial transactions. But these ideas were not put into practice. Ladislas IV's reign was a period of inertia or even decline, as is evident in the fall in revenue available to the central Treasury. The *czopowe* tax, reformed a few years earlier, became a tax for the use of the voivodships, and not for the central Treasury. Endeavours were made to preserve the existing fiscal structures without change since taxes were regarded as a sacrifice to the state. A senator at the *Sejm* of 1638 expressed the idea succinctly: 'The Polish king is *rex regnum*, for his subjects only give him as much as they want to.'[41]

During the early years of John Casimir's reign (1648–68), the tax burden was steadily increasing and no attempt was made to find new sources of revenue. The Polish–Lithuanian Commonwealth almost collapsed during the crisis of the 'Deluge', that is, the simultaneous Muscovite and Swedish invasions of 1654–5. With the expulsion of the Swedes from Poland in 1657, new sources of revenue had to be found to continue the war against Muscovy, which lasted for a further ten years. Several new taxes, mostly indirect ones, were introduced in the years 1656–62, and some previously abandoned taxes were also reintroduced. In spite of these efforts, the yield from taxation did not exceed the level reached before the Swedish invasion: the new taxes only made good the decrease caused by the exhaustion and destruction of the country. With the exception of the years 1672–8, when there was once more an attempt to apply these new taxes in the aftermath of the capture of Kamieniec by the Ottoman Turks in 1672, fiscal reform was abandoned in the second half of the seventeenth century. The army

[40] Pałucki (1974), 81–111, 232–75.
[41] Filipczak-Kocur (1991*b*), 88–9.

was repartitioned among the voivodships which were required to pay for its upkeep. The dietines were concerned merely to limit their fiscal responsibilities. Thus there was no increase in army size; no new sources of revenue were found; and the old rates of tax were not revised in new circumstances. The Polish–Lithuanian Commonwealth was thus totally unprepared for the onslaught of Charles XII in 1700 and the onset of a further period of sustained war.

The Great Northern War (1700–21) and the enormous destruction it wrought in the country inspired endeavours to reform the tax system, to introduce new fiscal legislation and to improve administration. Attempts were made to alter the repartition system, to restrict the powers of the dietines and to centralize fiscal administration. These endeavours reached their denouement in the decisions adopted under Russian pressure by the *Sejm* in 1717, which is known to history as the 'Silent' *Sejm*. There were two reform groups, one comprising the king's closest advisers, the other representatives of the nobility. It was characteristic of both groups that they tended to idealize the past: the old laws were deemed sufficient in themselves and all that was needed was that they should be enforced. There was one significant reform in 1717: Poland became one of the first European countries to introduce a proper estimate of the state's revenue and expenditure, in effect a budget. Over 90 per cent of the revenue was earmarked for military purposes, for the upkeep of an 18,000-man standing army in Poland and a 6,200-man army in Lithuania. The Polish budget was based on revenue from the general poll tax, the *hiberna*, the *kwarta* and the Jewish poll tax. Unlike the Polish budget, the Lithuanian revenue comprised not merely direct taxes such as *hiberna*, the hearth tax and the Jewish poll tax, but also indirect taxes such as the general customs duties and the *czopowe*. The greatest burden was borne by the royal estates, which had to pay the *hiberna* and the *kwarta* as well as the poll tax. The much larger Church *latifundia* paid less. The distribution of the regular taxes among the voivodships in Poland was disastrously inequitable, since it favoured Poland's eastern borderland and imposed an excessive burden on Great Poland. The repartition of taxes in the Grand Duchy of Lithuania was also unjust, though probably less so than in Poland.

The novelty introduced in 1717 was that all intermediaries, such as the central and provincial tax boards for the payment of the army, indeed all expenditure on administration, were eliminated. The idea was to guarantee prompt payment to the army by closely linking military units with specific individual landed estates. The army units nevertheless had to collect their arrears of pay in several voivodships. The system became a testimony to the lack of political realism on the part of the Silent *Sejm*: the military units ceased to be an army and became a conglomeration of tax-collectors. As a result of the unjust distribution of taxes, the population carried a heavy fiscal burden, but it was not compensated by an

effective defence of the frontiers against the military power of neighbouring states such as Russia and Prussia. In reality, even the principle of regular payment for the army was not achieved: the overburdened estates in Great Poland and Mazovia were not always able to meet their tax obligations. Thus the unreformed fiscal system of the second half of the seventeenth century was in effect sanctioned by law after 1717. The Silent *Sejm* did not commence a period of fiscal reform but merely sanctioned the existing state of affairs. The Grand Treasurer was gradually restricted to the issuing of receipts for the payment of the *kwarta* and control over the customs duties. The administration in general and the judicial system received no money from the Treasury.

Historians have differed radically in their evaluation of the influence of fiscal factors on the political history of the Polish state in the second half of the eighteenth century. For Rutkowski, fiscal factors played a very significant role in the dismemberment of the Polish–Lithuanian Commonwealth in the three partitions of 1773, 1793 and 1795: the inadequacy of the Polish army was the result of this longstanding fiscal weakness.[42] Rostworowski, however, argues that political factors were the principal cause of the partitions. After 1717, Poland was under Russian tutelage, and the Poles had no freedom to make decisions on their own form of government, on the level of taxes or on the strength of the army. Until 1763, Polish revenues were so inadequate that they scarcely covered the costs of the diplomatic service and other minimal basic activities of the state. An active foreign policy was therefore scarcely possible. Between 1764 and 1792, it was recognized that fiscal reforms were a top priority and in so far as these were possible within the context of Russian hegemony they were attempted.[43] However, it was not until 1788 that Poland decided to create an army of 100,000 men or 1 per cent of the population (the Silent *Sejm* had accepted an army size of 24,000 men). The partitioning powers struck out against Poland in 1793 precisely because the *Sejm* of 1788–92 had attempted to modernize the state and the army.[44]

The fate of the Polish–Lithuanian Commonwealth in the eighteenth century thus rested to a considerable extent on the failure of the seventeenth century, and the inability to establish a viable structure for the public debt. The Treasury had not pursued any systematic credit policy at all, but had merely contracted debts in case of urgent necessity. The main reason for contracting debts was that the Treasury lacked sufficient revenues to pay the army. Sometimes the king borrowed money from Jews or the larger cities, using the crown jewels as collateral. In the second half of the seventeenth century, the royal jewels were

[42] Rutkowski (1932), iv, 363–89.
[43] Rostworowski (1966, 1977).
[44] Bonney in Bonney (1995), 332.

put up for sale or distributed among soldiers in lieu of pay. Loans might be secured from a private individual, usually a state dignitary, who covered the necessary expenditure from his own property or incurred a private debt which was later repaid by the Treasury. Only those credit operations which came into effect as a result of a formal contract were regarded as public debts, but even then they were not systematically recorded at the time the contract was drawn up but at the date of repayment. From time to time, the Treasury presented a report on its debts to the *Sejm* and the dietines in order to secure further taxes for their repayment, but these reports were usually incomplete.

It has been observed that one test of modernity in a fiscal state is the existence of sufficiently regular taxation to facilitate the emergence of a permanent public debt: the 'modern' wars of the seventeenth and eighteenth centuries had to be fought on the basis of loan income.[45] By such a criterion, Poland–Lithuania could not develop into a modern fiscal state. The periodic and irregular grant of taxation depended entirely on the will of the *Sejm* and thus on the will of the nobility. It was the nobility's pursuit of political 'freedom'—virtually at any cost in the later seventeenth century—which prevented the Commonwealth of the two nations from becoming a modern fiscal state and eventually allowed for the predominance of Austria, Prussia and, above all, Russia in the region.

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[45] Ibid. 343 (France in the War of American Independence), 345 (public debts of France and England in 1783 compared).

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CHAPTER 15

Russia, 1200–1815

Richard Hellie

The Russian state underwent tremendous changes in the period under ew, and its fiscal activities developed accordingly. Whatever (and even rever) the 'Russian state' was in 1200, it was a very small, extraordinarily k household operation. Its capacity to tax regularly was minimal. There e no written records or any other form of auditing that we know of, and expenditures were small. In the course of six centuries this state evolved into a behemoth, the master of Continental Europe, which could install its troops in Berlin and Paris. Sophisticated central bureaux knew where the people lived, collected an oppressive number and quantity of taxes, distributed them among an enormous number of spending bodies, and audited both receipts and expenditures. A sophisticated 'tax state' had come into being.

I

'Russian' history begins around AD 750 with the migration from the west of Slavs heading in an easterly direction into the Kievan area, at the time inhabited primarily by Iranian peoples, and towards the north-east into the Novgorod area, inhabited by Finnic and Baltic peoples. The kind of statehood any of these earlier settlers possessed is unknown. In 882, a Viking by the name of Oleg moved his band from the Novgorod area and conquered Kiev, in the process establishing the Riurikid dynasty. This initiated a form of Russian statehood. In the next few years, he conquered other east Slavic tribes as well as non-Slavic tribes and forced them to pay tribute to Kiev. 'Statehood' was the ability to collect such tributes by visiting each tribal centre and extorting what was 'due'. In the tenth century, each time a ruler died, the various tribes rebelled and refused to pay tribute, and then were subsequently reconquered by a successor ruler.

'Statehood' took a new turn in 988. In that year, Vladimir imported Christianity from Byzantium, a measure which must be related to his famous administrative reform of the same year: he sent governors (primarily his relatives) from Kiev to the dozen tribal capitals of Rus' in an attempt to centralize control of the periphery. Bishops accompanied the governors and together they subdued 'provincials' who neither wanted to pay taxes to Kiev nor to adopt Christianity. Centralized Kievan Rus' was probably at its peak during the reign of Vladimir's son Iaroslav (1019–54), who introduced a uniform law code, the *Russkaia pravda*, for all of his lands. Especially after 1036, it is likely that Iaroslav collected taxes regularly from all the lands of Rus' and spent the revenues thus collected on his project to make Kiev into a rival of Constantinople. On his death in 1054, however, Rus' fragmented politically. Unity was restored temporarily by Vladimir Monomakh in 1113, but Kievan Rus' disintegrated forever when his son Mstislav died in 1132. Novgorod rebelled against control from Kiev in 1136, and the pretence of a unified Kievan Rus' disappeared.

By this time eastern Slavs were migrating into the Volga–Oka Mesopotamia, the future homeland of the Great Russians, inhabited at the time by Finns and Balts. The lack of interest of the rulers of north-eastern Rus' (Suzdalia) in Kiev was demonstrated in 1169, when Prince Andrei Bogoliubskii led an army to Kiev, sacked it, and left it in the hands of a general. From that time on, 'Russian history' moved to Suzdalia. Kiev was sacked again in 1205, but it did not really matter for the rest of the lands of Rus', which continued to fragment into smaller parcels. In 1200, the former Kievan Rus' consisted of 15 principalities, which fragmented into 50 principalities by the end of the thirteenth century and into 250 principalities a century later. This chapter will concentrate on Vladimir-Suzdalia and its inheritor state Muscovy, later called Russia.

In 1200, Vladimir was ruled by Vsevolod 'Big Nest' Iur'evich, the last significant ruler before the Mongol conquest of 1237. Upon his death in 1212, the principality of Vladimir further disintegrated into smaller units, which was one of the reasons why the region was totally unable to resist the Mongol invasion. Little is known about the government or tax system of Suzdalia. Some scholars term the three centuries from the twelfth through to the first half of the fourteenth century the 'coinless period', when no coins were issued in Rus' and only foreign coins circulated there—obviously complicating the issue of revenue collection and disbursement.[1] Everything was run out of the prince's household, and he had large numbers of servitors, many of them elite and ordinary slaves. Each medieval Russian 'apanage prince' had a small army, which was maintained out of palace court funds and campaign booty gathered in the frequent

[1] Kotliare (1973).

civil wars between principalities at most three days' ride away. There is some evidence that a hearth (*dym*) census was taken in 1205, presumably for tax purposes. Tax revenues were adequate to maintain a substantial Church establishment as well as to build expensive church buildings and defence structures. Determining the total tax burden in this period is impossible, but it probably was not extraordinarily oppressive because the population seems to have increased as the Slavs continued to expand into the Volga–Oka Mesopotamia. By *c.*1300, they reached the confluence of the two rivers, an area inhabited by Finnic Mordva and other tribes.

The Mongol conquest was a disaster the like of which was not experienced again until Hitler's Nazi hordes devastated the USSR in World War II. The princes of Vladimir, starting with Iaroslav Vsevolodovich, resolved that it was better to collaborate with the Mongols rather than try to fight them. His son Alexander Nevskii particularly adopted a policy of appeasing the Mongols, both for the purpose of his personal aggrandizement *vis-à-vis* first his father and then his elder brother and for the purpose of combatting aggressive Papal Crusaders. This policy of appeasement lasted for a century. In exchange, the Mongols adopted a policy of keeping their hands off the Orthodox Church and gradually turning administration over to the Russian princes, who could call upon the Mongol army whenever it was needed to suppress threatening rivals from elsewhere in Rus'. The Mongol conquest almost certainly led to a significant diminution in princely households as well as resident armies, which were reduced to little more than modest palace retinues throughout the fissuring principalities of Rus'.

The princely household had very limited administrative control over Rus' initially as officials called *baskaks* were imported from central Asia to manage the area for the Golden Horde from its headquarters first in Karakorum, Mongolia, and then at Sarai, on the Lower Volga. The Mongols took censuses for the purposes of levying military manpower as well as for collecting tax revenues. Little is known about the operations of the *baskaks*, or even the duration of their tenure in Rus'. It is likely, however, that they were phased out in favour of a purely Russian administration some time in the second quarter of the fourteenth century. During the era of the Mongol Yoke (1240–1480), a dozen or so taxes were collected as tribute to the Golden Horde conquerors, in addition to the levies commanded by the princes and their retinues. No one knows how much currency was transported to the Golden Horde, but it was so much that foreigners believed that there must be silver mines in Rus'. There were not. The silver seems to have come from western and central Europe, which purchased furs from Novgorod for silver. Novgorod imported grain and other food from Suzdalia in exchange for silver, and additionally paid a huge tribute called the

chërnyi bor[2] to ward off punitive devastation of the town-republic such as Alexander Nevskii wrought when bringing Novgorod to heel in 1259.[3]

The 'dyadic' legal system, in which the primitive 'state' was so weak that it could not enforce verdicts but merely offered its legal services for a fee, reflected the generally consensual nature of Russian society and was probably a considerable source of revenue for the Russian princes and their agents.[4] As early as the thirteenth century, the principality of Vladimir developed the so-called 'feeding system' (*kormlenie*) in which favoured court servitors were despatched on rotation from the capital to the provinces to control them. Their primary responsibilities were to collect revenues and to offer conflict resolution services (according to the significantly expanded *Russkaia pravda*) in exchange for substantial fees. The *kormlenshchiki* were supposed to turn a share (perhaps two-thirds) of their revenues over to the princely household, while keeping the rest for their current maintenance and for their maintenance in the capital (Moscow, after 1326) until they went out on rotation to 'feed' again in several years' time. These *kormlenshchiki* in essentials became provincial governors. The temptation to oppress the provincials was strong and complaints about their corruption were one of several factors leading to their abolition in 1556. Much of their revenue was collected in kind, for the Mongol conquest combined with the absence of domestic coinage, political fragmentation and civil wars (there were some ninety civil wars between 1228 and 1462) to destroy trade. Much of the depopulated country reverted to a form of manorialism. This makes the task of calculating the medieval tax burden impossible.

Because of the extraordinarily low density of population during the era of the Mongol Yoke, landownership and landholding were not prized by state servitors. Land was fundamentally free and unsurprisingly peasants preferred to live where there was no landowner trying to collect rent. Moreover, agriculture was fundamentally of the slash–burn assarting type, so that permanency was not something agriculturalists prized anyway. If someone without immunities from taxes (as were enjoyed by some monasteries, for example)[5] claimed land and tried to force peasants to pay rent, the peasants would simply move on. The consequence was that 'feeding' governorships were preferred to land grants throughout the fourteenth and fifteenth centuries, for the tax collector could find peasants wherever they lived and force them to pay imposts.

Moscow began to expand beyond its own region *c.*1300.[6] The Russian Orthodox Church moved its headquarters there in 1328. In 1378 and then in 1380, the large Moscow army led Russian troops to victories over the Mongol Tatars,

[2] Meaning, literally, 'taxable forest with bee hives'. [3] Roublëv (1970).
[4] Kaiser (1980). [5] Zlotnik (1976). [6] Presniakov (1964); Cherepnin (1960).

and in 1480, in an insignificant battle on the Ugra River, Moscow finally cast off the nearly quarter-millennium-long Mongol Yoke. But already by the 1390s, with hindsight, it is clear that Moscow was destined to be the unifier of the eastern Slavic lands, for there was no credible rival. By the 1470s, Moscow had annexed many of the smaller independent principalities by purchase, bequest, marriage alliance, military conquest and other devices, and proceeded to move against its main north-western rival, Novgorod. Military campaigns in 1471 and 1478 put an end to Novgorodian independence. Resistance continued, led by the Novgorodian Church and magnates, to which Moscow responded by executing a few, deporting thousands, and confiscating their lands.

II

The acquisition of Novgorod led to a profound change in Muscovite finance: confiscated lands were turned into military service grants called *pomest'ia*,[7] somewhat like but not necessarily modelled on the Persian *iqta* and the Byzantine *pronoia*. The real model was the Muscovite *kormlenie*.[8] The difference was that whereas the 'feedings' covered an enormous area, the service land grants were much smaller and very specific in area, designed to support one cavalryman. Initially a *pomest'e* comprised perhaps thirty nucleated peasant family households. This new system was possible because about this time the population began perceptibly to increase, a process that continued into the 1550s. During the first half of the sixteenth century, probably the most peaceful and most prosperous period in Russian history prior to the four decades after World War II, travellers observed that Muscovy was relatively densely populated.

The *pomest'e* was an invention of genius, but the device of the Devil. It permitted Muscovy to field a cavalry army of maximum size, as the country expanded at one of the fastest rates in world history, from an area of 430,000 square kilometres in 1450 to almost 15.3 million square kilometres in 1700. There were no middlemen collecting, managing, or disbursing funds through a bureaucracy, with the heavy 'collection overhead' typical of such forms of revenue collection and disbursement. Initially, peasant rents were collected by a local government official and disbursed to the cavalryman to whom the peasants' lands were assigned, but soon this formality was done away with and the cavalryman collected the rents personally. By the end of the sixteenth century, the *pomest'e* was the main form of land tenure in Muscovy and was responsible for the enserfment of the peasantry. Documents from what became the Service Land Chancellery (*Pomestnyi prikaz*), formally created *c.*1550, date from 1499 and

[7] Sing.: *pomest'e*. [8] Hellie (1971), 285.

it became one of the predominant offices of Muscovy. The *pomest'e* was supposed to maintain the cavalryman, his family and his household slaves. Each Muscovite cavalryman had both a land (*pomest'e*) entitlement (the maximum quantity of land he was entitled to possess, provided he could find it and have it assigned to him by the *Pomestnyi prikaz*) and a cash salary entitlement. The cash typically was not paid because the government lacked disposable income for this purpose. In fact, cash became part of the story of cavalry maintenance usually only for market commodities such as cavalry horses and sabres.

The fact that much of the peasants' tax was paid in kind greatly complicates determination of the total tax burden; and this is further complicated by a governmental change in the formula governing lord–peasant relations. The initial formula had ordered peasants to pay 'traditional rent' to the cavalrymen, but during the period of Ivan the Terrible's 'state within the state' (the *Oprichnina*, 1565–72) this was changed to a statement that 'the peasants had to obey their lord in everything'. This was taken as *carte blanche* by the *oprichniki* (members of the *Oprichnina* cavalry) to raise peasant rents, and the German mercenary *oprichnik* Heinrich von Staden observed that the *oprichniki* then collected from their peasants 'as much in one year as they used to collect in ten'. This led to the devastation of the lands in the *Oprichnina* and was one of the causes of the 'Forbidden Years' beginning in the 1580s, one of the crucial stages in the enserfment of the peasantry.[9]

Before progressing further in this discussion of the evolution of Muscovite fiscal structures, mention must be made of the emergence of autocracy. This was primarily a phenomenon of the beginning of the sixteenth century. In 1500, Muscovite Grand Prince Ivan III had no particular pretensions that we know of, but by 1520 his son Vasilii III believed that he was God's vicegerent on Earth. This resulted from the confluence of several factors, including a dynastic dispute at the end of the fifteenth century over who would succeed Ivan III, the grandson of his first wife or the son of his second wife (Vasilii). Then there were disputes over the role of the Church in the world, over church (and especially monastic) landholding, and over a group of religious dissidents labelled 'Judaizers'. A central figure in all of these disputes was a monastery elder named Iosef Volotskii, whose sermons greatly elevated the importance of the prince. He discovered the Byzantine seventh-century Agapetus formula, 'In his person the ruler is a man, but in his authority he is like God', which set the tone for the Russian autocratic state down to 1985. The extraordinary pretensions of the Russian state had their roots in this formula.[10] As a poor country, Russia was relatively underadministered and consequently was not always able to live up to

[9] Hellie (1971), ch. 5. [10] Sevcenko (1970).

its pretensions, but these claims were at least as great as those of all other governments by the second half of the seventeenth century and perhaps greater.

At the turn of the fifteenth and sixteenth centuries, a relatively large number of taxes were collected. We know about them primarily from immunity charters exempting monasteries and others from paying or levying the imposts.[11] Firstly, there were judicial fees for using the justice system. Then there were various trade duties: transit fees, duties to be paid upon entering a town, sales taxes and levies on the production of salt. Finally, there were labour service (*corvée*) obligations, direct levies for such things as building fortifications, fees for the maintenance of officials and so on. At this time, as throughout the centuries covered by this chapter, the capital had difficulty in learning what was due to it and in auditing collections.

In the 1520s, a standard unit of taxation of land was introduced, the 'big *sokha*'. *Sokha* means a plough, and presumably the unit initially was what a man with a horse (perhaps two oxen) could farm, but in the 1520s it was standardized into a precise number of acres, depending on whether the land was of good, average or poor quality, and whether the land belonged to peasants, to monasteries, or to cavalrymen. In time, urban household property was also taxed by the same system, so that, for example, 30 wealthy, 40 average, 60 poor or 100 very poor households might be ordered to pay the tax due from 1 *sokha*. This system was called the *soshnoe pis'mo*, which might perhaps be translated as 'written inventory of "plough" tax units'.[12] It remained the base of the Muscovite tax system until 1679, when the household rather than landed area became the base of the tax system. Taxes in the *soshnoe pis'mo* were apportioned on a repartition system: the government knew how many *sokhi* there were and how much revenue it needed; the tax rate per *sokha* was derived by dividing the former number into the latter. The amount of these sums is sometimes known, but no totals can be calculated.

The end of the fifteenth century witnessed the beginnings of specialization in the princely household. Certain individuals, functional if not literal descendants of the elite slaves who ran the medieval governmental institutions, were assigned more-or-less full time to manage, for example, foreign affairs or the army. The chancellery (*prikaz*) system evolved out of the princely household into a well-organized and comparatively efficient, honest and inexpensive state bureaucracy by 1650.[13] The main development in the creation of chancelleries occurred in the reign of Ivan the Terrible. In *c.*1550, state functions were less frequently designated by the name of the individual responsible for them and

[11] Zlotnik (1976); Kashtanov (1967, 1988).
[12] Veselovskii (1915–16).
[13] Brown (1978).

instead came to be called, for example, 'the foreign affairs hut' or 'the felony control administration hut' after the log cabins (*izby*)[14] adjacent to the Kremlin wall where such particular business was concentrated. Written archival records began to be kept.

In 1560, the government considered what to do with the remains of the system that had been run by the *kormlenshchiki* (who had been abolished in 1556) and decided to set up special chancelleries or 'quarters' (*cheti*) for the purposes of revenue collection.[15] The functions of the 'lieutenants' had been whittled away by the creation of three alternative local institutions commencing in the 1490s. The first were so-called 'fortifications officials' (*gorodovye nachal'niki*) assigned the task of supervising the rebuilding of Muscovy's fortifications because of the gunpowder revolution; they gradually assumed other functions as well. Then, commencing in the 1530s, the central government was informed of lawlessness in the provinces which seems to have resulted from a breakdown of the social ties that had permitted a 'dyadic' society to function. The result was a felony control administrative system (*guba*) which came to be co-ordinated by the so-called 'Robbery Chancellery' (*Razboinyi prikaz*, first mentioned in 1555–6, although extant as an administrative commission in 1539). The death-knell of the 'feeding system' was sounded when, in preparation for the campaign to annex Kazan' in 1552, Moscow offered to sell the remaining functions of the 'lieutenants' to selected provincial towns by establishing a provincial civil administrative system (*zemskaia sistema*). Even though the annual price was twice that which the central government expected the *kormlenshchiki* to collect, the sale proceeded so well that those running the government decided to sell the rest of the positions to raise money for the campaign to annex Astrakhan in 1556. Thus ended *kormlenie*, and the process of developing Muscovy's main source of direct, unrestricted funding began.[16]

The *cheti* collected direct and indirect taxes both in cash and in kind. The funds were used to pay regularly the members of the upper service class (the same people who had been the *kormlenshchiki*), besides occasionally provincial cavalrymen and members of the lower service class (harquebusiers, musketeers, Cossacks) and government officials. The degree of centralized control of the provinces by the *cheti*, as well as by the other governmental chancelleries, was perhaps not as complete as one might imagine, but it nevertheless represented a considerable change. For example, for the years 1641–92, records are extant from the Vladimir Regional Administrative Chancellery for the granting of

[14] Sing.: *izba*.

[15] Russia was divided into several regions: Kostroma, Novgorod, Ustiug, Vladimir and Galich.

[16] Nosov (1969).

permissions to townsmen and servicemen for the construction of warehouses, stores, workshops, mills, bridges, ferries and custom-houses.

Yet another *chet'*, literally translated as 'the new quarter' but in effect a Spirits Chancellery, was created in 1619 and survived until 1679. It was responsible for collecting tavern revenues and regulating distilling, both enormously important at any time in Russian history—at least after 988, when Vladimir announced that one of the reasons for preferring Christianity to Islam was that the 'Russians love to drink and cannot exist without it'. There is no study of the Spirits Chancellery or estimates of its revenues, but the surviving documents reveal where its revenues went. Firstly, these revenues were tapped to fund other chancelleries and their activities, both administrative and military. They were spent on various structures, such as building the Iaroslavl' Nikita Monastery, repairing the fortifications of Moscow, Kolomna, Mozhaisk and Putivl' and the repair of the Cathedral of the Assumption in the Kremlin. Monies were also spent on buying goods and food for the Tsar's court and church books. Other revenues went to pay the salaries of Cossacks, foreign doctors, stonemasons, jewellers, painters, other artisans and other servicemen. Like other chancelleries, it held trials (and collected court fees and penalties) for people under its jurisdiction.[17]

Indirect taxes such as the revenues from taverns and custom-houses were collected as they came in by local officials under oath; others were farmed out. There is still no complete understanding of how this 'system' worked, why some taxes were farmed out and others operated on a receipts basis. It is known, however, that very few people volunteered to run either taverns or custom-houses, and that as a general rule merchants had to be compelled to manage them. In other words, neither the income from tax farming nor the possibility of gains from illicit practices such as skimming revenues from receipts was adequate to persuade people to volunteer to be Muscovy's indirect tax collectors.

Besides the *cheti*, the rest of the *izby* soon came to be called 'chancelleries' (*prikazy*) in the 1570s and 1580s. They were 'proto-Weberian' functional organs, often created for specific purposes. For example, Muscovy was the only early modern country in the world which had a specialized chancellery for the sole purpose of handling slavery affairs (the *Kholopii prikaz* or *Prikaz kholop'ego suda*).[18] Most of the forty specialized chancelleries acting at any one time (there were as many as 100 different chancelleries between the 1550s and the beginning of the eighteenth century), however, concentrated their efforts either on the military or on raising money for them. All of these chancelleries operated according to strict internal budgetary rules and all had increasingly elaborate statute books to

[17] Avtokratova et al. (1991), i, 202. [18] Hellie (1982).

guide their operations.[19] The objectives and procedures of the Muscovite state have been discussed in detail elsewhere.[20] Its main ambition was to perpetuate itself and serve its leading figures. It also could declare war and peace; preserve and regulate the social order; create social estates; create and regulate commerce, industry and the arts; establish religion, the formal system of religious beliefs and ethical norms; and finally regulate social behaviour. The chancelleries directed their efforts toward implementing these objectives.

The nature of provincial administration changed after 1613. The chaos of the Time of Troubles was ended by the army, whose generals were told to remain in the provinces as military governors (*voevody*). They remained as governors for the rest of the century and converted the Military Chancellery (*Razriad*) into the central personnel office of Muscovy. In some respects the post-1613 governors came to resemble the pre-1556 'feeding' governors in that roughly the same types of individuals were appointed and they even used the same vocabulary: when petitioning for a post, a member of the upper service class asked to go to the provinces to 'feed'. There were significant differences, however. Firstly, the seventeenth-century governor was not the sole ruler in the provinces, but had to compete with the fortifications officials, felony control officials and the civil administration officials; jurisdictional disputes among them were common. Secondly, the pre-1556 governors used their personal slaves to expand their administrative presence, but this was much rarer in the period after 1613. The *voevoda* became in the seventeenth century the principal figure in the provinces overseeing the apportionment and collection of taxes for Moscow. Arrears were exacted by force from the population by officials specially sent out from Moscow with Cossacks, artillerymen and other members of the lower service class. The population of Muscovy in 1678 was about 9 million.[21] In comparative terms, its administration was extraordinarily 'lean'. About 2,000 people worked in the Moscow chancelleries; another 2,000 worked in provincial administration at any given time.[22] To the extent that the so-called 'seventeenth-century crisis' was a response in western Europe to the rise of bloated bureaucratic government, Muscovy did not suffer from that crisis.[23]

Official corruption was minimal for most of Muscovite history. The *Sudebnik* of 1497 forbade graft for the first time. This prohibition was repeated in its 1550 and 1589 redactions.[24] The notion that corruption was unwise may be attributable to the slave origin of the Muscovite palace administration. When slaves came to be replaced by free men, the latter were individuals without noble pretensions throughout the sixteenth century, illustrated by the fact that they

[19] Bogoiavlenskii (1946); Eroshkin (1983). [20] Hellie (forthcoming).
[21] Vodarskii (1977). [22] Demidova (1964), 206–42; Plavsic (1980). [23] Hellie (1974).
[24] Grekov (1952).

had no surname. They lacked rights, pretensions and an independent power base. They personified the ethos of the service state. There was no venality of office in Muscovy, where instead promotion was meritocratic. The professional, lifelong bureaucracy carried Muscovy through the Time of Troubles, when the civil servants continued to manage their chancelleries regardless of who was in control.

The moral fibre of the system began to weaken slightly after 1613, when the magnates discovered that insufficient profit was to be made in the cavalry from military plunder and that money could be made by controlling the chancelleries. In consequence, the magnates placed themselves in nominal control over most of the chancelleries, in place of the life-time professionals. Exceptions were made for the most important chancelleries (Foreign Affairs, Robbery, Service Land and Military), which remained under the sole direction of the professionals. The rest of the chancelleries, especially the police and finance chancelleries, fell under the control of the magnates. It is possible to ascertain who was controlling the government at a particular moment by observing which clique of magnates was running the chancelleries. For example, in 1648, Boris Ivanovich Morozov was nominally director of five chancelleries (the Great Treasury, Spirits, Musketeers, Foreign Mercenaries and Apothecary)—in effect he controlled finance, military affairs and westernization.[25] The fact that his brother Gleb never worked in any chancelleries would tend to show that this type of work was still not considered 'fitting' for families such as the Morozovs unless one was at the very top, in control.

This denigration of professionalism by the magnates seems to have demoralized the professionals and opened the door to corruption. It first reared its ugly head to a significant extent in the dozen years between the death of Patriarch Filaret (who had been the real ruler of Muscovy after 1619) in 1633 and that of his near-cipher son, Tsar Mikhail Fédorovich Romanov, in 1645 when the ruling Cherkasskii-Sheremetev clique did its best to apportion to itself whatever it could of the state's resources.[26] Such examples were relatively rare and restricted to a small number of people. Corruption was minimal throughout the rest of the seventeenth century. Another explanation of the relatively small scale of corruption for most of the period was the lack of a national debt structure under which the elite could borrow both to pay today's bills and to steal at the expense of tomorrow.

Muscovite officialdom was well compensated, at rates rising from half a *ruble* a year for those beginning their salaried appointment (apprentices worked for nothing) up to 50 *rubles* and even more—ten times the rate of a musketeer, for

[25] Bogoiavlenskii (1946), 276. [26] Smirnov (1947–8).

example. As with most other prices between 1613 and 1700, there were occasional sharp increases, but wages were relatively constant throughout the period. If twentieth-century theories are valid, the generous compensation of officials probably curtailed their temptations to abuse their offices. Later, under Peter the Great, the decision was made to cease compensating public officials, which undoubtedly opened the door to widespread corruption, for otherwise the officials would have been unable to live.

Muscovy almost never borrowed money to finance its operations from abroad and, because there was no banking system, rarely resorted to internal loans either. Russia's main reserves seem to have been monastery treasuries and possessions, which the government would occasionally raid. Private individuals, such as B. I. Morozov and V. V. Golitsyn, sometimes had great wealth, but it was wealth that was achieved by looting the state. Some of this wealth came back to the state upon the disgrace or death of the individuals.[27] During their active lifetime, wealth and income went only one way, from the state to the private individual, and not vice versa.

The financial system was almost exclusively a pay-as-you-go system based on a myriad of direct and indirect taxes. Whenever the Muscovite state conceived a need for taxes, it created and levied new ones. Judicial fees remained a very important source of revenue. In *c.*1550 the 'paper revolution' began to take hold in Muscovy, and in time much revenue was raised from attaching seals to a variety of documents. The Seal Chancellery was created between 1610 and 1613 to centralize the collection of these sums, and Chapter 18 on 'Seal Fees', with its seventy-one articles in the Law Code (*Ulozhenie*) of 1649, was dedicated to specifying exactly how much should be collected for these services.[28] Another important source of revenue in the seventeenth century was the tax on the indigenous peoples of Siberia, the *iasak*, essentially a form of tribute. Often it was collected in furs, especially sables. It approximately equalled the amount of tribute the Muscovites paid the Crimean Tatars every year to try to prevent them from raiding and carrying off slaves and cattle.[29]

Muscovy resorted to extraordinary taxes at times of crisis. After the Time of Troubles, six so-called 'fifth taxes' were collected in the years 1614–19. They were also collected twice during the Smolensk War (1632–4) and twice again during the Thirteen Years' War (1654–67). No one is sure of the exact nature of the 'fifth' that was collected: was it a fifth of all wealth; of all assets of a particular kind; a fifth of the annual income; or a fifth added to regular taxes? According to the extant record, wealthy merchants and industrialists, landed magnates and mon-

[27] *Rozysknye dela o Fedore Shaklovitom . . .* (1884–93); *Akty khoziaistva Boiarina B. I. Morozova* (1940–5).

[28] Hellie (1988). [29] Hellie (1971), 379.

asteries were the first target of the extraordinary taxes. The second such extraordinary levy was more broadly based: 10–20 *kopeks* per household for townsmen and 120 *rubles* per *sokha* for peasants. The third post-*Smuta* levy raised about 180,000–200,000 *rubles* and was the most burdensome. The second levy during the Thirteen Years' War was also severe, 50 *kopeks* per household for many taxpayers.[30] The fact that there were not more such extraordinary levies indicates that the state probably learnt that they were counter-productive. Resort to such fiscal devices universally stimulates taxpayers to hold their assets in mobile and concealable form. This in turn not only promotes economic inefficiency, but also makes the collection of regular taxes much more difficult, as society's asset and income portfolios are manipulated to foil the tax collector.

The most important and oppressive taxes in the seventeenth century were the tax to support the musketeers ('musketeers' grain', collected sometimes in kind, sometimes in money), the tax to support the postal system, and the tax to redeem Russians from Crimean Tatar captivity. These were direct taxes which were collectively assessed, a fact which led to the concealment of assets and discouraged the accumulation of capital and wealth. For a current study of the seventeenth-century Russian economy and material culture a database of 107,000 records has been accumulated. Of these, approximately 16 per cent are taxes of approximately 280 different kinds. They range from 1,230 honey tax records, 1,219 marten tax records, 287 musketeer tax records and 172 salt tax records to a few records on such things as taxes on meat, baths, pewter and third marriages.[31] Such data indicate not only the importance of taxes among the evidence surviving from Muscovy, but also an enormous resourcefulness in finding numerous revenue sources before the reign of Peter the Great.

As mentioned above, the fundamental unit for calculating taxes throughout much of the Muscovite period was the *soshnoe pis'mo*. Its drawback was that it encouraged peasants to reduce the acreage under cultivation. Apparently the government recognized this fact as a consequence of the great census in 1678 and the next year it moved over to a household system of taxation. All the direct taxes were merged into one; the tax to support the musketeers was deposited in the Musketeers' Chancellery. The assumption was apparently that each household contained a nucleated family (which was more-or-less correct). When the 'millage rate' was calculated, the government added up the number of households in its census, and divided that into the revenue it desired. Each household was responsible for its 'share' of the total: in 1679, the figure was 1.30 *rubles*. The household system of taxation, of course, was subject to enormous abuse. It did

[30] Veselovskii (1909); Nazarov (1968); Lappo-Danilevskii (1890).
[31] Hellie (1999), ch. 23.

not take the Muscovites long to realize that the way to 'beat' the system was to combine into extended families: typically, grandfather and grandmother, their sons and daughters-in-law, and their grandchildren. Solitary individuals as separate households all but disappeared. As a long-term effect, the mythical Slavic extended family became the norm and persisted down to the emancipation of the serfs from landlord control in 1861. The innovation of the household tax only lasted four decades, until Peter the Great realized that it was counter-productive. After the 1678 census, the government discovered that many farming serfs had been reclassified by their owners as agricultural slaves to take advantage of lower tax rates. In response, the government abolished agricultural slavery and by a stroke of the pen converted all slaves into taxpaying serfs.[32]

Sixteenth- and seventeenth-century Muscovy knew three main periods of inflation. The first was during the reign of Ivan IV, in response to his *Oprichnina* and the Livonian War, when prices rose dramatically in response to supply shortages. The second was during the Time of Troubles, when the famine of 1601–3 put a premium on basic foodstuffs. Further shortages were caused by civil war and the Polish and Swedish invasions; moreover, the government devalued the currency by a quarter. One is tempted to see the hand of the European 'price revolution' somewhere here, but Muscovy was basically so autarchic that the importation of silver from the New World had little impact on Russia. A third period of inflation was caused by the decision of the government to pay for the Thirteen Years' War (1654–67, which saw the annexation of Ukraine, *inter alia*) by debasing the currency—copper replaced silver—at least as early as 1658. This was successful until the government refused to accept the copper for payment of taxes and rumours began to circulate that members of the government were minting copper coins for their own use. Prices suddenly rose rapidly, and the outcome was the famous 'Copper Uprising' of 1662, which forced the government to stop minting copper coins. It restored public confidence by increasing the silver content of the coinage by some 2 per cent, whereupon prices fell back to pre-inflationary levels. The price level was roughly the same in the 1690s as it had been in the years after 1613.[33]

III

At the beginning of the eighteenth century, the central governmental offices called 'chancelleries' were renamed 'colleges' because Peter the Great wanted to emphasize collegiality—the claim was that each organ was run by a collective board with an eye to gaining improved control over corruption. In fact, this was

[32] Hellie (1982). [33] Hellie (1999).

a change in name only, for nearly all of the seventeenth-century chancelleries had been run by collective boards anyway, and it is not clear that the colleges were any more collegially run than had been the *prikazy*. Peter began thinking about creating colleges in 1698, and by the time he had completed these reforms, the forty-odd chancelleries of the seventeenth century had been converted into a dozen colleges (in 1722).

Four of them were concerned with finance: the Chamber College (*Kamer-kollegiia*) managed state income and property, as well as roads, the settlement of deserted households, agriculture, animal husbandry and fishing grounds. The Budget College (*Shtats-kontor-kollegiia*) managed state expenditures. When it was created in 1718, it was supposed to be a single treasury for almost all collections, and thus to put an end to the old 'system' of collecting specific revenues for specific purposes; but it never achieved this objective. The Auditing College (*Revizion-kollegiia*) oversaw income and expenditure accounts. This marked a further step along the road to recognizing the independence of the financial administration, but it lasted for less than four years—though it was later revived in 1733. Two more colleges (the Colleges of Mining and Manufactures) were primarily concerned with industrial management, but also collected revenues.[34] The colleges were overseen by one of Peter's most important creations, the so-called 'Senate'. During the years 1711–22, during Peter's absences, the Senate issued laws, conducted the war effort, ran foreign policy, directed internal affairs and concerned itself with state finance: income and expenditures, new taxes, coinage and trade and industry all fell within its remit. The Senate co-ordinated central administration in St Petersburg and attempted to do the same for provincial administration. George Yaney calls the period 1711–96 one of 'senatorial government'.[35]

Peter also radically altered provincial administration, at least nominally. In 1708, he abolished the post-1613 *voevoda*–governor administration, which was replaced by eight provinces (*gubernii*) administered by governors (*gubernatory*). This had particular consequences for finance, for many of the tax collection and disbursement functions which had been run by the chancelleries were turned over to the governors. This decentralization of fiscal administration lasted for a decade, until it was recentralized in the colleges. In 1708, local administration was turned over to the local gentry under the Landrat College, a move somewhat reminiscent of the sixteenth century and the fortifications, felony administration and civil administration officials. This left the centre, St Petersburg, without adequate control over the periphery and turned much of provincial administration over to the army. The perception that the capital had lost control

[34] Miliukov (1892); Anisimov (1982, 1993). [35] Yaney (1973).

led to the 1719 reform restoring the old *voevoda*–governor, who was in charge of one of forty-five newly created provinces. The governor was in charge of everything: military matters, police security, roads, justice, care of churches, education, revenue collection, state factories and mines, honest weights and measures and so on. He was the local agent of the colleges and the Senate, but often was in reality a local satrap responsible to no one other than himself. Catherine II in 1763–4 ordered the appointment of additional officials in the provinces with the potential to limit the powers of the governor.

Peter's most dramatic change in the tax sphere was the introduction of the soul or poll tax (a tax first contemplated in 1718) in 1724 to replace the household tax, which we have seen was easily avoided by expanding nuclear families into extended families. The soul tax was levied on all males, from those just born to those just about to die, except members of the clergy and gentry and tax-exempt officials. It was operated by means of a census and then by requiring each locality to pay the total for the entire community annually until a new census was taken. The rationale was a sound one: at any given time in any normal community about half of the people work, and about half are dependent (because of youth, old age or infirmity). In 1719, house slaves continued, as always, to be exempt from taxation (presumably on the grounds that they were extensions of their usually tax-exempt owners who produced no taxable product), but the government discovered that taxable peasants were being converted *en masse* into house slaves: in 1723, house slaves were thus required to pay the soul tax. This move effectively abolished the institution of slavery in Russia by converting the house slaves into house serfs.[36] The soul tax was introduced to support the army and was collected directly by local noblemen for this purpose, a move reminiscent of the early *pomest'e* system, which perverted a rationalized fiscal system but probably ensured larger revenues while enlarging the role of the military in Russian life. Again, like the *pomest'e* system, the soul tax as initially conceived permitted a degree of fiscal efficiency: by being paid directly to support the troops garrisoned locally it was thus not subjected to the wastage inherent in taxes which passed through many hands to the capital and then back to the provinces.

Rudimentary state budgets began to appear in *c.*1680. Peter the Great was more assiduous about recording his budget of 1724, but budgeting did not become a regular, formal process until Catherine II created the Expedition of State Revenues in February 1773 and its work was perfected in the next decade.[37] Peter used every expedient at his command to raise revenues to defeat the Swedes and other enemies and in the process nearly destroyed Russia. Alexander

[36] Hellie (1982), 695–707. [37] LeDonne (1991), 240–88.

Gerschenkron calculated that in 1710 the tax burden was 64 per cent of the grain harvest, a historic high certainly not equalled again until Stalin's time.[38] Recovery came within a decade of Peter's death in 1725 and for the next century Russia reigned as the supreme military power in eastern Europe. This was paid for by a system of ruinous taxes, as well as by credit and paper money. The fiscal system featured increasingly accurate and sophisticated budgets accompanied by a real understanding of how the economy operated and its relationship to the actions of the government. Russian fiscal preoccupations after Peter the Great continued to be driven by warfare. As Russia became increasingly bound into the European alliance system, it was drawn into wars that perhaps made little sense from the perspective of St Petersburg's best interests. Russia's participation in the Seven Year's War (1756–62), which led to its troops being installed in Berlin, seems a mindless waste of manpower and army resources. Of course this was not always true. The liquidation of the Crimean Khanate in 1783, preceded by the construction of the Ukraine (early 1730s) and Dnepr (1769–70) fortified lines which moved Russia's frontiers to the Tatars' doorstep, forever put an end to centuries of slave raiding and the levying of taxes to ransom Russian slaves from their captors.

The lean governmental machine of the pre-1682 era became flaccid (by Russian standards, at least) during the course of the next century. The relatively abstemious, frugal court of Peter the Great was replaced by the increasingly extravagant spendours of that of Anna, Elizabeth and especially Catherine II—although at least the first two failed to rival the courts in Versailles or Schönbrünn. Another principal concern was to provide the elite with the luxuries deemed necessary to westernize the country.[39] Setting aside the court and the elite, Russia as a whole (and especially the provinces) almost certainly continued to be underadministered throughout the first half of the nineteenth century.[40] This situation began to change only with the imposition of the land captains in 1889, but even during the 1930s the influence of the central government was often still minimal in the countryside.

Until the beginning of the 1760s, state and court expenses continued to be intermingled. As in the previous century, Russia after Peter devoted enormous energy to revenue raising. According to the late Arcadius Kahan, the main components were firstly Peter's poll or soul tax, levied on all males except the clergy, gentry and tax-exempt officials (amounting to about 5 per cent of the population), which typically lagged behind inflation. Secondly, there were revenues from taxes on alcohol and salt. (By 1791 the salt tax, the *gabelle*, had become in effect a state subsidy to purchasers of salt because the state was fearful of

[38] Gerschenkron (1970). [39] Kahan (1966). [40] Starr (1976).

raising the price sufficiently to cover rising production and distribution costs: by this date it had fallen significantly from its peak of contributing almost 15 per cent of state revenue in 1758.) A third source of revenues came from the sale in foreign trade of state monopoly commodities. Fourthly, there were the customs duties, including internal tolls until their abolition (along with fees for use of internal navigable waterways) in 1753. There were the revenues from a 10 per cent tax on iron and from copper sales; while finally, there were profits from reminting coinage, printing paper money and the like.[41]

The ratio of indirect to direct taxes ranged from 48:52 to 36:64. The level of indirect taxes rose until it peaked in 1756; thereafter, this level was not exceeded again until a century later. The increase in indirect taxes was achieved by raising the price of salt, much as B. I. Morozov had done in the 1640s. Both Morozov and his imitator P. I. Shuvalov in the reign of Elizabeth Petrovna mistakenly believed that the demand for salt was inelastic and that the general health of the realm would be improved by taxing a commodity everyone needed and from the payment of which no one could escape. Both schemes led to widespread protest, dramatic decreases in the sale of salt and the cancellation of the main tax increases relatively soon after their introduction. In addition, there were other important sources of funds, such as taxes on rent (*obrok*, which was pegged to what it was assumed lords were collecting in rent from their peasants) and tax collections from state and court serfs.

By the 1760s, these taxes exceeded the poll taxes collected from seigneurial serfs and were sufficient to enable Catherine II to be more independent in fiscal terms of gentry landlord pressures than her predecessors had been. There were a number of reasons for this development, but the principal one was that between 1719 and 1795 the numbers of state serfs (male peasants belonging to the court, Church and state) increased more rapidly than did private serfs. The reasons for this differential increase are unclear. Catherine II alone gave away to others some 800,000 serfs, but this did not stop the number of state serfs rising from 2.5 million to 4.8 million (188 per cent); in contrast, the numbers of private serfs increased only from 3.2 million to 5.6 million (176 per cent). Calculating the tax burden in the eighteenth century is as difficult as at any other period and complicated by the fact that the millions of state serfs paid the state which owned them both 'taxes' and 'rent'. The fiscal burden probably increased by some 50 or 80 per cent during the course of the century in real money terms. This amounted to between 12 and 15 per cent of per capita income.[42] In wartime, as always, there were additional extraordinary levies. As Russia became more closely associated with the European state system, by the end of the eighteenth

[41] Kahan (1985), ch. 8. See also Troitskii (1966, 1976).

[42] Kahan (1985), 345.

century it began to raise funds by borrowing abroad to pay for military expenses outside Russia.

The separate categories of central governmental expenditure in the eighteenth century may be ranked in order of importance with some degree of precision. The first cost was the army, which consumed from between a third and a half (and sometimes as much as two-thirds) of gross expenditure, and variously between half and two-thirds (or even the totality) of net revenue. This was by no means the total cost of the army, for servicemen who were required to serve until 1762 from their estates (granted to them previously by the state) were supported in their service by their serfs. This natural method of paying for the army began with the *pomest'e* system and persisted even though the service landholding was converted into a hereditary estate (*votchina*) system in 1714. Calculating the true cost of the army after the abolition of the compulsory service requirement in 1762 would be all but impossible. Total military expenditure was 10.4 million *rubles* in 1762, 18.25 million *rubles* in 1784, 45 million *rubles* in 1791 and 27.3 million *rubles* in 1794. One must also bear in mind that until Catherine's reforms in 1763–4, the army did much more than fight and preserve order; for example, it also collected taxes, especially the poll tax. The reforms of 1763–4 separating military and civil administration permitted the army to perform exclusively its more narrow 'military functions'.[43]

The next main cost of government would be administration, the costs of collection and the like. Figures exist for salary expenditure, but once again this was hardly the whole story. Firstly, there was the fact that those who owned serfs received much of their income from them directly in cash and in kind; one may assume that many leading officials in the provinces working for St Petersburg received most of their compensation from their serfs. Secondly, towards the end of his life, Peter the Great reduced the salaries of lower-level and provincial civil servants to nothing. This essentially put an end to the glorious medieval Muscovite civil service tradition and set the stage for the massive corruption and moral decline which so disfigured and demoralized nineteenth-century Russia down to 1917. Like comparable officials elsewhere, these officials lived off fees, which became indistinguishable by the mid-nineteenth century (if not long before) from bribes. The sums spent on these people in the eighteenth century are unknown. Catherine II in 1763–4 resumed paying regular salaries to provincial officials, but it is not known how many of them there were or how much they were paid. In spite of these difficulties, Kahan lists administrative expenses as 5 million *rubles* in 1764, 25.9 million *rubles* in 1791 and 30.2 million *rubles* in 1796.[44]

[43] Chechulin (1906). [44] Kahan (1985), 344.

The third main category of expenditure was the maintenance of the court palace. The eighteenth century saw this rise from niggardly expenditures on the court of Peter the Great and his barbarian coterie to genuinely opulent extravagance for Catherine II and her coiffured entourage. Expenditure rose from 1.75 million *rubles* in 1762 to 5.9 million *rubles* in 1784 and 10.6 million *rubles* in 1795. In other words, during the thirty-four years of Catherine's reign, court expenses increased sixfold, while military expenditures increased only fourfold (at maximum) and the population less than doubled. Other important budgetary expenses were incurred on the Church (470,000 *rubles* in 1781, 820,000 *rubles* in 1796); on schools and charitable institutions (540,000 *rubles* in 1781, 1.3 million *rubles* in 1796); on roads, buildings and post offices (1.95 million *rubles* in 1781, 4.7 million in 1796); colonization expenses (360,000 *rubles* in 1781, 440,000 in 1796); and on interest on loans (660,000 *rubles* in 1781, 4.2 million in 1796).[45]

Throughout most of its history, Russia has suffered from a lack of medium of exchange. Until the eighteenth century, Russian territory yielded neither gold nor silver. Silver was typically the official medium for the state accounts, but when Catherine the Great came to the throne, there were only 80 million silver *rubles* in circulation for a population of 23 million. By that time copper was plentiful, but a *ruble* in copper coins weighed a kilogram.

Russia did not have a formal system of balanced budgets, but nevertheless tried to operate on a pay-as-you-go principle until the 1770s, when the government became accustomed to deficits. Although there were facilities for lending money to members of the gentry and to some townsmen in the period after the death of Peter the Great, primitive banks were created only in the 1770s. The Orphanages in St Petersburg and Moscow responded to legislation permitting consumers to deposit funds and obtain loans against collateral (serfs and stone buildings), but there was still no system from which the government could routinely obtain credit. Only in the 1770s did any long-term borrowing from abroad commence and this remained trivial in scale. Until the 1770s, the 'budget' was usually in balance, with more than 95 per cent of the poll tax revenues collected; only at times of natural calamity did arrears exceed 4 or 5 per cent annually. 'Budget' deficits were covered first by debasing the coinage (both copper and silver), and then, beginning early in Catherine II's reign (in 1768–9, to help pay for the Turkish War), by printing paper money, the infamous *assignats*. Deficits were also 'managed' by late payment of bills. Eighteenth-century Russia witnessed three significant periods of inflation: during Peter the Great's Northern War (and especially in the years 1700–10, when the value of the *ruble* decreased by 50 per cent, and again in 1718, when the *ruble* was again devalued);

[45] Kahan (1985), 345.

during the Seven Years' War (especially in 1761–2); and during the latter part of Catherine's reign.[46]

IV

The rhythm of Russian government has always been one of radical reforms (or at least attempts at radical reform) followed by lengthy periods of stagnation. Reforms were usually precipitated by civil disorders or military defeats (both by-products of stagnation) or the inauguration of a new ruler who wanted to make his mark on Russian history. The Emperor Paul did this when he came to the throne in 1796 by trying to repeal or alter everything that his mother, Catherine II, had done. This was a factor in his assassination in 1801. The next conscious reformer, Alexander I (1801–25), was more important. One of his many reforms was the introduction of eight ministries to replace the Petrine colleges in September 1802: the minister had sole authority and replaced the collective board of the college. Ministerial government, under the Tsar, and variously co-ordinated by the Committee of Ministers and the State Council, remained the basic form of government until October 1905. There was a veritable orgy of publishing to celebrate the centenary of the ministries in 1902, just before their demise.[47]

The Ministry of Finance was charged with management of the state finances of the Russian empire, but the 'system' existed only in St Petersburg and Moscow. The Ministry of Finance was supposed to generate an annual budget, from estimates by all eight ministries, which was to be reviewed by the Committee of Ministers and affirmed by the Tsar. However, the estimates it worked from were often inaccurate, and secrecy made improvement difficult while allowing grand opportunities for corruption. In August 1810, the Ministry of Finance was assigned responsibility for the management of foreign trade and customs; the management of treasury lands; vodka monopoly farming; and the mining and transport of salt (on which the government was still losing money).

After 1811, for the first time in centuries, Russia had only one tax-collecting agency, one Treasury, a chief economic policy planner and budget office. In 1811, a Chief Administration for the Auditing of State Accounts was created, whose chequered history can be traced back to the Auditing Chancellery (1656–78), Peter's Auditing College, and further reforms in this sphere of activity in the Senate after 1779. In this sense, the Russian tax state (collecting revenue; depositing it in a treasury; disbursing the sums to pay bills; and auditing both revenues and expenditures) was relatively fully developed on the eve of Napoleon's invasion. But only in 1837 did the central government commence auditing

[46] Ibid. ch. 8. [47] *Ministerstvo finansov* (1902).

provincial accounts, while accounting regulations were formulated only in 1846. The ministries sought to establish a 'system' where there had been none and opposed the free-floating, *ad hoc*, actions of despots (whose efforts had enabled Russia to function by overcoming otherwise insurmountable obstacles and bottlenecks). In this sense, market mechanisms are always more efficient than central command directives, where bribery and arbitrariness serve as substitutes for market mechanisms.[48]

As nearly always in Russian history, warfare remained the primary concern of government throughout the reign of Alexander I, focused primarily upon Napoleon. By 1810, inflation was rampant. From 1801 to 1809, governmental expenditures annually exceeded income by one-third, a deficit covered by printing paper money and borrowing from treasury credit institutions. In 1804, 43 per cent of all state expenditures were on the army and navy, about 53 million *rubles* in total. About 11 million *rubles* were spent on the Emperor's court and on the clergy. Debt servicing costs and the cost of maintaining the ministries also consumed great sums. The Ministries of Education and Commerce received less than 6 per cent of all expenditures, about 7 million *rubles*. By 1810, total expenditures reached 241 million *rubles*. Moving to the end of our period, in the years 1812–14, the Ministries of War and the Navy spent 722 million *rubles* on defence. In 1815, 42.7 per cent of state expenditures went to the military.[49]

About 63 per cent of the state's 1804 income of 105 million *rubles* derived from the poll tax, direct levies and indirect taxes on alcohol (the latter amounting to 71 million *rubles*). Indirect taxes on salt did not begin producing solid revenue again until 1811. Customs duties (less than 10 per cent of the total), postal receipts and other revenues were relatively insignificant. By 1810, the great intellect of the era, Michael Speransky, had raised the income to 170 million *rubles* and budgeted 39 million more from loans and other sources. The Napoleonic invasion, and the two and a half year war that ensued, destroyed much of Russia's productive capacity. Corruption and theft of state property were rampant. The deficit for the years 1812–14 amounted to 360 million *rubles* and was covered by printing paper money (191 million), internal loans (47 million), English subsidies (42 million) and other sources (89 million). By 1815, 40.5 per cent of the state's income was derived from the poll tax and the *obrok* paid by state peasants, another 33.4 per cent from the tax on alcohol.

In the last years of the war against Napoleon, the budgetary system was in ruins. Ministers incurred expenditure without informing the Ministry of Finance. For the developing Russian fiscal state this was a disaster of the first

[48] LeDonne (1991), 294–5 and *passim*.

[49] *Ministerstvo finansov* (1902), i, 620–1.

order. Yet recovery after 1815 was relatively rapid and the Russian Empire had secure foundations on which it could build its fiscal edifice.[50] By 1900, Russia was one of only twenty-five European states surviving from the five hundred independent political entities of the fifteenth century. There can be no doubt that Russia's creative and efficient raising and spending of taxes was a critical reason for its survival.[51]

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[50] Ibid. 616–19. [51] Tilly (1975).

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